

The Sime Darby Group

Sime Darby Berhad is Malaysia's leading multinational and one of Southeast Asia's largest conglomerates. Founded in 1910, the Company has grown from a single company offering a single product and service in one country into a strong and dynamic international Group with a comprehensive range of business activities carried out by more than 28,000 employees in over 300 companies in more than 20 countries. Known for its financial and management capabilities, Sime Darby is listed on the Main Board of Bursa Malaysia Securities Berhad with a market capitalisation in excess of US\$3.68 billion as at 30th June 2006.

Today, in addition to plantations, its original core business activity, Sime Darby is also a major player in the motor vehicle, heavy equipment, property, and energy & utilities industries. While the core businesses are located in Malaysia, the People's Republic of China (including Hong Kong SAR and Macau SAR), Singapore and Australia, the Group also operates in Negara Brunei Darussalam, Indonesia, Thailand, Vietnam, the Philippines, United Kingdom, New Zealand, the Solomon Islands, Papua New Guinea and New Caledonia.

Cover Rationale

The tree remains the most appropriate symbol of Sime Darby Berhad's strength and continuous growth, its deep roots a reflection of the solid foundation that the Company has established over the years as Malaysia's leading multinational and one of Southeast Asia's largest conglomerates, and its branches the Company's various core business groups. While the core businesses are involved in the day-to-day activities of reaching out to new prospects, potential growth and further achievements, they remain connected to the parent company through the Group Management Team led by the Group Chief Executive.

The cover of the Sime Darby Berhad 2006 Annual Report features a stylised tree mapped over a management meeting in progress.

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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Eighth Annual General Meeting of Sime Darby Berhad will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 7th November 2006 at 11:30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

- a. To receive the Directors' Report and the Financial Statements for the year ended 30th June 2006 and the Auditors' Report thereon. (Resolution 1)
- b. To declare a final dividend for the year ended 30th June 2006. (Resolution 2)
- c. To increase the annual remuneration fixed for the Non-Executive Directors from an amount not exceeding RM1,000,000 to an amount not exceeding RM1,500,000, in aggregate. (Resolution 3)
- d. To consider and, if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965:-
 - (i) "That, pursuant to Section 129(6) of the Companies Act, 1965, Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya be re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (Resolution 4)
 - (ii) "That, pursuant to Section 129(6) of the Companies Act, 1965, Michael Wong Pakshong be re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (Resolution 5)
 - (iii) "That, pursuant to Section 129(6) of the Companies Act, 1965, Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali be re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (Resolution 6)
- e. To elect the following Directors:-
Dato' Mohamed bin Sulaiman (Resolution 7)
Datuk Seri Panglima Andrew Sheng Len Tao (Resolution 8)
- f. To re-elect the following Directors:-
Datuk Khatijah binti Ahmad (Resolution 9)
Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid (Resolution 10)
- g. To re-appoint PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 11)

AS SPECIAL BUSINESS

- h. To consider and, if thought fit, pass the following Ordinary Resolution:-
Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965
"That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued share capital of the Company for the time being." (Resolution 12)
- i. To consider and, if thought fit, pass the following Ordinary Resolution:-
Proposed Share Buy-back
"That, subject to compliance with the Companies Act, 1965 and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given to the Company to utilise up to an amount not exceeding RM1 billion from the retained profits and share premium account of the Company, to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company provided that the aggregate number of shares to be purchased and/or held pursuant to this resolution does not exceed ten per centum of the issued and paid-up ordinary share capital of the Company;



And that, an amount not exceeding a total of RM1 billion, out of the Company's retained profits and share premium account be allocated for the proposed share buy-back, using internally generated funds;

And that, such authority shall commence upon the passing of this resolution, until the conclusion of the next Annual General Meeting of the Company, or the expiry of the period within which the next Annual General Meeting is required by law to be held, at which time the resolution shall lapse, or until the authority is revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever occurs first;

And that, authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends;

And that, authority be and is hereby given to the Directors of the Company to take all such steps as are necessary (including the appointment of stockbroking firms and the opening and maintaining of Central Depository Accounts designated as Share Buy-back Accounts) and to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

(Resolution 13)

- j. To consider and, if thought fit, pass the following Ordinary Resolution:-

Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"That, subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of the Company and/or its subsidiary companies ("Related Parties") as specified in Section 2.1 of the Circular to Shareholders dated 12th October 2006, provided that such arrangements and/or transactions are:-

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders

(the "Mandate");

And that, the Mandate, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act);

And further that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

(Resolution 14)

By Order of the Board

Yeoh Poh Yew, Nancy
Group Secretary

Kuala Lumpur
12th October 2006

Note

A member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A Form Of Proxy is enclosed herewith and should be completed and deposited at the office of the Share Registrar of the Company, Epsilon Registration Services Sdn Bhd at 312, 3rd Floor, Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time fixed for the meeting.



EXPLANATORY NOTES ON SPECIAL BUSINESSES

(1) Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

The Board continues to consider opportunities to broaden the operating base and earnings potential of the Company. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than ten per centum of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered, as proposed in Resolution 12, to allot and issue shares in the Company, up to an amount not exceeding in total ten per centum of the issued share capital of the Company for the time being, for such purpose. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(2) Proposed Share Buy-back

The proposed Resolution 13, if passed, will empower the Directors to purchase the Company's shares of up to ten per centum of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and the share premium account of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Based on the Company's audited financial statements for the year ended 30th June 2006, the Company's retained profits and share premium account stood at RM1,017.9 million and RM3,053.3 million respectively.

(3) Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Resolution 14, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Share Buy-back and the Proposed Shareholders' Mandate for Recurrent Related Party Transactions is set out in the Share Buy-back Statement and Circular to Shareholders dated 12th October 2006, despatched together with the Company's 2006 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

(1) Directors who are standing for Re-appointment, Election and Re-election

The Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965, are:-

- (a) Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya
- (b) Michael Wong Pakshong
- (c) Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali

The Directors standing for election are:-

- (a) Dato' Mohamed bin Sulaiman
- (b) Datuk Seri Panglima Andrew Sheng Len Tao

The Directors standing for re-election are:-

- (a) Datuk Khatijah binti Ahmad
- (b) Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid

The profiles of the above Directors are set out in the section entitled "Corporate Information" on pages 6 to 8. Their shareholdings in the Company and its subsidiaries are set out in the section entitled "Analysis Of Shareholdings" on pages 122 and 123.

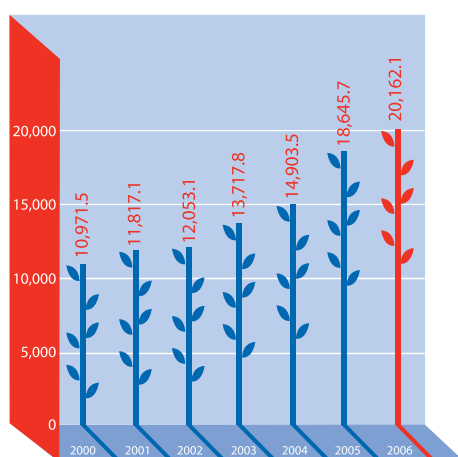
(2) Date, Time and Place of the Annual General Meeting

The Twenty-Eighth Annual General Meeting of Sime Darby Berhad will be held as follows:-

- Date : Tuesday, 7th November 2006
- Time : 11:30 a.m.
- Place : Ballroom 3, First Floor
Sime Darby Convention Centre
No. 1A, Jalan Bukit Kiara 1
60000 Kuala Lumpur
Malaysia

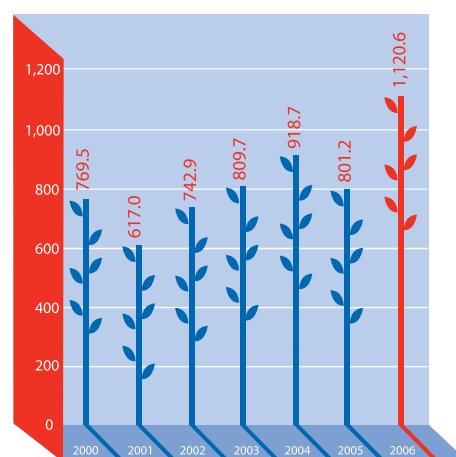
Group Financial Highlights

Revenue



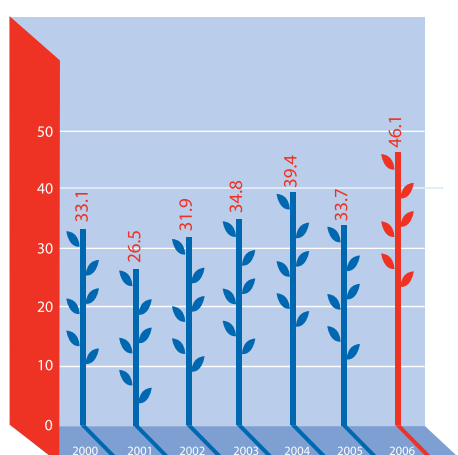
RM Million

Net Profit



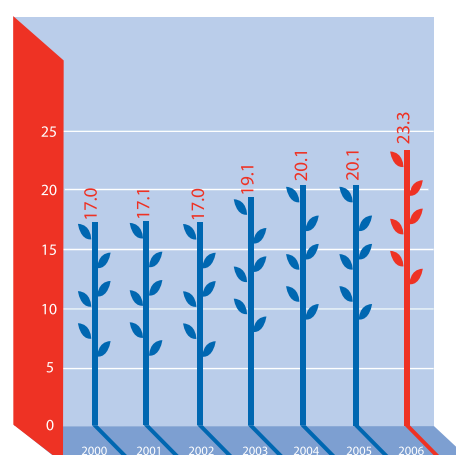
RM Million

Basic Earnings Per Share



Sen

Dividends Per Share - Net



Sen

RM Million	2006	2005	2004	2003	2002	2001	2000
Revenue	20,162.1	18,645.7	14,903.5	13,717.8	12,053.1	11,817.1	10,971.5
Profit Before Taxation	1,642.2	1,364.8	1,343.6	1,284.1	1,148.1	1,130.5	1,199.1
Net Profit	1,120.6	801.2	918.7	809.7	742.9	617.0	769.5
Shareholders' Funds	8,803.8	8,005.1	8,424.7	7,969.2	7,442.1	6,771.9	6,728.8
Sen Per Share							
Basic Earnings Per Share	46.1	33.7	39.4	34.8	31.9	26.5	33.1
Dividends Per Share – Net	23.3	20.1	20.1	19.1	17.0	17.1	17.0

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid

P.M.N., S.P.M.P., D.G.S.M., S.S.M.T., S.P.N.S., S.P.D.K., S.S.S.A., D.P.C.M., S.I.M.P., P.N.B.S., S.P.M.T., J.M.N., S.M.P., P.J.K.
(Non-Independent Non-Executive Chairman)

Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya

P.S.M., S.S.D.K., D.S.D.K., J.M.N., J.S.D.
(Independent Non-Executive Deputy Chairman)

Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid

D.S.D.K.
(Group Chief Executive)

Tan Sri Abu Talib bin Othman

P.M.N., P.S.M., S.I.M.P., S.S.S.A., D.G.S.M., D.P.M.S., D.M.P.N., D.C.S.M., J.S.M., K.M.N., P.P.T.
(Non-Independent Non-Executive Director)

Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali

P.S.M., P.J.N., S.I.M.P., D.P.C.M., D.P.M.P., J.M.N., A.M.N.
(Non-Independent Non-Executive Director)

Datuk Khatijah binti Ahmad

P.J.N.
(Independent Non-Executive Director)

Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali

P.S.M.
(Non-Independent Non-Executive Director)

Michael Wong Pakshong

(Independent Non-Executive Director)

Dato' Mohamed bin Sulaiman

D.I.M.P., D.P.M.S., S.A.P.
(Independent Non-Executive Director)

Datuk Seri Panglima Andrew Sheng Len Tao

S.P.D.K., J.S.M.
(Independent Non-Executive Director)

SECRETARY

Yeoh Poh Yew, Nancy (Group Secretary)

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

21st Floor, Wisma Sime Darby,
Jalan Raja Laut,
50350 Kuala Lumpur, Malaysia.
Telephone: 603-2691 4122
Telefax: 603-2382 1075
Web Site: <http://www.simedarby.com>
E-Mail: enquiries@simedarby.com

SHARE REGISTRAR

Epsilon Registration Services Sdn. Bhd. (Company No. 629261-T)
312, 3rd Floor, Block C Kelana Square,
17, Jalan SS 7/26, 47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Telephone: 603-7806 2116
Telefax: 603-7806 1261



TAN SRI DATO' SERI (DR.) AHMAD SARJI BIN ABDUL HAMID

YBhg. Tan Sri Dato' Seri (Dr.) Ahmad Sarji, 67, a Malaysian, is a Non-Independent Non-Executive Director and the Chairman of Sime Darby Berhad. He was appointed to the Board on 4th August 1998. Tan Sri Dato' Seri (Dr.) Ahmad Sarji is a graduate of the University of Malaya and The Institute of Social Studies, The Hague. Tan Sri Dato' Seri (Dr.) Ahmad Sarji also holds a Master in Public Administration degree from the Harvard University. He was formerly the Chief Secretary to the Government. Tan Sri Dato' Seri (Dr.) Ahmad Sarji is currently the Chairman of Permodalan Nasional Berhad, Golden Hope Plantations Berhad, NCB Holdings Berhad and Petaling Garden Berhad. He is also a member of the Board of Trustees of Yayasan Pelaburan Bumiputra. Tan Sri Dato' Seri (Dr.) Ahmad Sarji chairs the Executive Committee and the Nomination Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended six (6) out of the seven (7) Board Meetings held in the year ended 30th June 2006.

TUNKU TAN SRI DATO' SERI AHMAD BIN TUNKU YAHAYA

YM Tunku Tan Sri Dato' Seri Ahmad, 77, a Malaysian, is an Independent Non-Executive Director and the Deputy Chairman of Sime Darby Berhad. He was appointed to the Board on 4th January 1979. Tunku Tan Sri Dato' Seri Ahmad obtained his Bachelor of Economics degree (Honours) from the University of Bristol and is a Fellow of the Association of Chartered Certified Accountants, United Kingdom. He joined Dunlop Malaysian Industries Berhad in 1962 and served as Managing Director from 1973 until 1978 when he left to join Sime Darby Berhad. He was a director of Bank Negara Malaysia for 28 years before retiring in 1995. Tunku Tan Sri Dato' Seri Ahmad is currently the Chairman of Tractors Malaysia Holdings Berhad, icapital.biz Berhad and KLCC Property Holdings Berhad. Other Malaysian public companies in which he is a director are Kuala Lumpur City Centre Development Berhad and Kuala Lumpur City Park Berhad. Tunku Tan Sri Dato' Seri Ahmad is a member of the Executive Committee, the Nomination Committee and chairs the ESOS Committee and the Audit & Accounts Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended all of the seven (7) Board Meetings held in the year ended 30th June 2006.

DATO' AHMAD ZUBAIR @ AHMAD ZUBIR BIN HAJI MURSHID

YBhg. Dato' Ahmad Zubir, 49, a Malaysian, is a Non-Independent Executive Director and the Group Chief Executive of Sime Darby Berhad. He was appointed to the Board on 13th June 2004. Dato' Ahmad Zubir holds a degree in Industrial Engineering from the University of Wales. He has held many senior positions in the Sime Darby Berhad Group since joining the Group in 1981. Prior to his current appointment as the Group Chief Executive, he was the Managing Director of Continental Sime Tyre PJ Sdn Bhd (formerly known as DMIB Berhad) and the Divisional Director of Sime Darby Berhad's Heavy Equipment/Power and Allied Products Group. Other Malaysian public companies in which he is a director are Sime UEP Properties Berhad, Tractors Malaysia Holdings Berhad, Sime Engineering Services Berhad, SD Holdings Berhad, Sime Malaysia Region Berhad and Kuala Lumpur Golf & Country Club Berhad. Dato' Ahmad Zubir is a member of the Executive Committee, the ESOS Committee and the Risk Management Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended all of the seven (7) Board Meetings held in the year ended 30th June 2006.

TAN SRI ABU TALIB BIN OTHMAN

YBhg. Tan Sri Abu Talib, 67, a Malaysian, is a Non-Independent Non-Executive Director. He was previously an Independent Non-Executive Director and had on 1st March 2006 declared that he is no longer independent as he is acting as a nominee and representative of a major shareholder of the Company. He was appointed to the Board on 16th November 1998. Tan Sri Abu Talib qualified as a Barrister-at-law from Lincoln's Inn, United Kingdom and has served in various capacities in the Judicial and Legal service of the Government of Malaysia, including as Attorney-General of Malaysia. Tan Sri Abu Talib is currently the Chairman of British American Tobacco (Malaysia) Berhad, IGB Corporation Berhad, MUI Continental Insurance Berhad and CYL Corporation Berhad. He is also a director of Alliance Unit Trust Management Berhad and Alliance Capital Asset Management Sdn. Bhd. Tan Sri Abu Talib is a member of the Executive Committee, the Remuneration Committee and the Risk Management Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended all of the seven (7) Board Meetings held in the year ended 30th June 2006.

TAN SRI DATUK DR. AHMAD TAJUDDIN BIN ALI

YBhg. Tan Sri Datuk Dr. Ahmad Tajuddin, 58, a Malaysian, is a Non-Independent Non-Executive Director. He was previously an Independent Non-Executive Director and had on 1st March 2006 declared that he is no longer independent as he is acting as a nominee and representative of a major shareholder of the Company. He was appointed to the Board on 22nd June 2001. He holds a degree in Mechanical Engineering from King's College, University of London, a Ph.D in Nuclear Engineering from Queen Mary's College, University of London and an Honorary Degree of Doctor of Science from Universiti Putra Malaysia. Tan Sri Dr. Ahmad Tajuddin was formerly the Director-General of SIRIM and the Executive Chairman of Tenaga Nasional Berhad. He is a registered Professional Engineer with the Board of Engineers Malaysia, a fellow of the Institute of Engineers Malaysia and a Founding Fellow of the Malaysian Academy of Science. Tan Sri Dr. Ahmad Tajuddin is currently the Chairman of Malaysian Oxygen Berhad, Tronoh Consolidated Malaysia Berhad, Sime Engineering Services Berhad, Opus International Group plc. and Tricubes Berhad. He is also a director of Bangi Golf Berhad. Tan Sri Dr. Ahmad Tajuddin is a member of the Executive Committee, Audit & Accounts Committee and the Remuneration Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended all of the seven (7) Board Meetings held in the year ended 30th June 2006.

DATUK KHATIJAH BINTI AHMAD

YBhg. Datuk Khatijah, 66, a Malaysian, is an Independent Non-Executive Director. She was appointed to the Board on 13th September 1997. Datuk Khatijah is a graduate in Economics (Honours) from the London School of Economics and Political Science, University of London. She is the Chairman of the KAF group of companies, a financial services group which she founded in 1973. Other Malaysian public companies in which she is a director are KAF Discounts Berhad, KAF-Seagroatt & Campbell Berhad and Sime UEP Properties Berhad. Datuk Khatijah is a member of the Executive Committee, the Audit & Accounts Committee, the Remuneration Committee, the ESOS Committee and chairs the Risk Management Committee of the Board. She does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. She attended all of the seven (7) Board Meetings held in the year ended 30th June 2006.

RAJA TAN SRI MUHAMMAD ALIAS BIN RAJA MUHAMMAD ALI

YM Raja Tan Sri Muhammad Alias, 74, a Malaysian, is a Non-Independent Non-Executive Director. He was previously an Independent Non-Executive Director and had on 1st March 2006 declared that he is no longer independent as he is acting as a nominee and representative of a major shareholder of the Company. He was appointed to the Board on 16th November 1998. He graduated with a Bachelor of Arts (Honours) from University Malaya, Singapore and holds a Certificate in Public Administration from the Royal Institute of Public Administration, London. Raja Tan Sri Muhammad Alias has served in various capacities while in the Malaysian Government service including, as District Officer, Principal Assistant Secretary with the Ministry of Defence, State Development Officer, Pahang with the Ministry of National & Rural Development and Director General of the Federal Land Development Authority (FELDA). He was the Group Chairman of FELDA until his retirement in June 2001. He is currently the Chairman of Highlands & Lowlands Berhad. Other Malaysian public companies in which he is a director are Malayan Banking Berhad, Kuala Lumpur Kepong Berhad, Batu Kawan Berhad, Kumpulan Guthrie Berhad and Mayban Fortis Holdings Berhad. Raja Tan Sri Muhammad Alias is a member of the Audit & Accounts Committee, the Risk Management Committee and chairs the Remuneration Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended all of the seven (7) Board Meetings held in the year ended 30th June 2006.

MICHAEL WONG PAKSHONG

Mr. Wong, 75, a Singaporean, is an Independent Non-Executive Director. He was appointed to the Board on 15th April 1981. Mr. Wong is a Chartered Accountant and was formerly the Managing Director of the Monetary Authority of Singapore. Other Malaysian public companies in which he is a director are Great Eastern Capital (Malaysia) Berhad, Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Bhd. Mr Wong is a member of the Nomination Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended six (6) out of the seven (7) Board Meetings held in the year ended 30th June 2006.

DATO' MOHAMED BIN SULAIMAN

YBhg. Dato' Mohamed, 67, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 26th October 2005. Dato' Mohamed is a Certified Public Accountant, Australia, and an associate member of the Institute of Chartered Secretaries & Administrators and the Malaysian Institute of Certified Public Accountants. He joined Sime Darby Berhad in 1982 as Finance Director of the Plantations Division. He served as Managing Director of Sime UEP Properties Berhad from 1985 to 1990 before returning to Consolidated Plantations Berhad as Managing Director. Dato' Mohamed retired from Sime Darby Berhad in 1993. He is currently the Executive Chairman of Redmax Sdn Bhd, a Class A Bumiputra construction company engaged in flood mitigation projects. Dato' Mohamed is a member of the Audit & Accounts Committee, Risk Management Committee and the ESOS Committee of the Board. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended three (3) out of the four (4) Board Meetings held from the date of his appointment on 26th October 2005 to 30th June 2006.

DATUK SERI PANGLIMA ANDREW SHENG LEN TAO

YBhg. Datuk Seri Panglima Andrew Sheng, 60, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 1st March 2006. Datuk Seri Panglima Andrew Sheng is a graduate in Economics (Honours) from the University of Bristol, England. He has served in various capacities in Bank Negara Malaysia, including as Chief Economist and Assistant Governor in charge of Bank and Insurance Regulations. He is currently a Director of the Hong Kong Institute of Monetary Research and a member of the Logistics Council, Hong Kong and a Convenor of the International Council of Advisers to the China Banking Regulatory Commission. He does not have any family relationship with any director and/or major shareholder of Sime Darby Berhad, nor any personal interest in any business arrangement involving the Company. He attended all of the two (2) Board Meetings held from the date of his appointment on 1st March 2006 to 30th June 2006.

Report On The Audit & Accounts Committee

The Board of Directors of Sime Darby Berhad is pleased to present the report on the Audit & Accounts Committee of the Board for the year ended 30th June 2006.

The Audit & Accounts Committee was established by a resolution of the Board on 12th October 1981.

Composition and Attendance

The Audit & Accounts Committee during the year comprised the Directors listed below. During the year ended 30th June 2006, the Committee met four (4) times on 26th August 2005, 28th November 2005, 27th February 2006 and 29th May 2006.

Members	Status of directorship	Attendance of meetings
Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya (Chairman of the Committee)	Independent Non-Executive Director and a Certified Accountant	Attended 4 out of 4 meetings
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali	Non-Independent Non-Executive Director	Attended 4 out of 4 meetings
Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali	Non-Independent Non-Executive Director	Attended 4 out of 4 meetings
Datuk Khatijah binti Ahmad	Independent Non-Executive Director	Attended 4 out of 4 meetings
Dato' Mohamed bin Sulaiman (appointed on 16th February 2006)	Independent Non-Executive Director and a Certified Public Accountant	Attended 2 out of 2 meetings held from the date of his appointment to 30th June 2006

Terms of Reference

In performing their duties and discharging their responsibilities, the Audit & Accounts Committee is guided by the Terms of Reference of the Committee as follows:-

Membership

The Committee shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, a majority of whom shall be independent Directors and at least one of whom shall be a member of the Malaysian Institute of Accountants or fulfills such other requirements as prescribed in Chapter 15.10 of the Listing Requirements of Bursa Malaysia Securities Berhad. The Chairman of the Committee shall be an independent non-executive Director appointed by the Board.

Meetings and Minutes

Meetings shall be held not less than four (4) times a year and the Group Chief Executive, Group Chief Financial Officer, Group Head - Corporate Assurance and a representative of the external auditors shall normally be invited to attend the meetings. Other members of the Board may attend the meetings upon the invitation of the Committee. At least once a year, the Committee shall meet the external auditors without any executive present except the Group Secretary. The quorum shall be two (2) members, a majority of whom must be independent Directors. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Group Secretary.

Authority

The Committee is authorised by the Board:-

- i. to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group;
- ii. to have the resources in order to perform its duties as set out in its terms of reference;
- iii. to have full and unrestricted access to information pertaining to the Group and the Company;
- iv. to have direct communication channels with the internal and external auditors;
- v. to obtain external legal or other independent professional advice as necessary; and
- vi. to convene meetings with external auditors, without the attendance of any executive except the Group Secretary, whenever deemed necessary.



The Committee shall report to the Board of Directors on matters considered and its recommendations thereon, pertaining to the Group and the Company.

Responsibility

Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the Committee has the responsibility to promptly report such matter to Bursa Malaysia Securities Berhad.

Review of the Composition of the Committee

The term of office and performance of the Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Duties

The duties of the Committee are:-

- a. to consider the appointment, resignation and dismissal of external auditors and the audit fees;
- b. to review the nature and scope of the audit with the internal and external auditors before the audit commences;
- c. to review the quarterly and annual financial statements of the Group and the Company focusing on the matters set out below, and thereafter to submit them to the Board:-
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and regulatory requirements.
- d. to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss;
- e. to review the audit reports prepared by the internal and external auditors, the major findings and management's responses thereto;
- f. to review the adequacy of the scope, functions and resources of the Group Corporate Assurance Department ("GCAD") and whether it has the necessary authority to carry out its work;
- g. to consider the reports, major findings and management's response thereto on any internal investigations carried out by GCAD;
- h. to review any appraisal or assessment of the performance of executives in GCAD;
- i. to approve any appointment or termination of senior executives in GCAD;
- j. to be informed of any resignation of executives in GCAD and to provide the resigning executive an opportunity to submit his/her reason for resignation;
- k. to review the evaluation of the systems of internal control with GCAD;
- l. to review the assistance given by the Group's and the Company's employees to the executives in GCAD;
- m. to review related party transactions entered into by the Group and the Company to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient;
- n. to verify allocation of options pursuant to the employees' share option scheme is in compliance with the criteria for allocation of options under the scheme; and
- o. any such other functions as may be agreed to by the Committee and the Board.



Summary of Activities of the Committee during the Year

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 30th June 2006 in the discharge of its functions and duties:-

- a. review of the audit plans and scope for the year for the Group and the Company prepared by the internal and external auditors;
- b. review of the audit reports for the Group and the Company prepared by the internal and external auditors and consideration of the major findings by the auditors and management's responses thereto;
- c. review of the quarterly and annual reports of the Group and the Company prior to submission to the Board of Directors for consideration and approval;
- d. review of the environmental, safety and health reports for the Group and the Company prepared by the internal auditors and consideration of their major findings and management's responses thereto;
- e. review of the related party transactions entered into by the Group and the Company and the disclosure of such transactions in the annual report of the Company;
- f. recommend to the Board the proposed dividend for the Company;
- g. commissioning of special reviews on specific areas of operations;
- h. review of the minutes of meetings of the audit committees of public listed and other major subsidiary companies in the Group;
- i. meeting with the external auditors without any executives present except the Group Secretary;
- j. review of the tax status of the companies in the Group;
- k. review of the fees of the external auditors;
- l. commissioning of an independent quality assessment review of the effectiveness of the Corporate Assurance function in the Group;
- m. approval of the appointment and review performance appraisal of audit staff;
- n. review of the list of eligible employees and the allocation of options to be offered to them by the Company pursuant to the Sime Darby Employees' Share Option Scheme; and
- o. review of the Report on the Audit & Accounts Committee, Statement on Internal Control and Statement on Corporate Governance prior to their inclusion in the Company's Annual Report.

Internal and Management Audit Functions and Activities

The Company has an Internal and Management Audit Department which was reorganised during this year and renamed the Group Corporate Assurance Department ("GCAD"). The principal responsibility of GCAD is to undertake regular and systematic reviews of the systems of controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group and the Company. The renaming of the Department was to recognise the importance of the Audit Department and to better reflect the shift in emphasis from a compliance audit regime to one of business review. GCAD has been organised as a centralised department with direct control and supervision for the audit and business analysis functions across the Group. GCAD is also responsible for the conduct of regular and systematic reviews of environmental, safety and health issues in the Group and the Company. The attainment of such objectives involves the following activities being carried out by the Department:-

- a. reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Group and the Company at reasonable cost;
- b. ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- c. ascertaining the extent to which the Group's and the Company's assets are accounted for and safeguarded from losses of all kinds;
- d. appraising the reliability and usefulness of information developed within the Group and the Company for management;
- e. recommending improvements to the existing systems of controls;
- f. carrying out audit work in liaison with the external auditors to maximise the use of resources and for effective coverage of audit risks;
- g. carrying out investigations and special reviews requested by management and/or the Audit & Accounts Committee of the Company;
- h. carrying out environmental, safety and health audits on the Group and the Company;
- i. identifying opportunities to improve the operations of and processes in the Group and the Company; and
- j. carrying out analyses to determine the efficiency of businesses carried out by the Group.

Statement by the Audit & Accounts Committee

The Committee confirms that the allocation of options offered by the Company to eligible employees of the Group complies with the Bye-Laws of the Sime Darby Employees' Share Option Scheme.

This report is made in accordance with a resolution of the Board of Directors dated 29th August 2006.

Statement On Corporate Governance

1. The Code

The Malaysian Code on Corporate Governance ("Code") sets out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of Sime Darby Berhad ("Sime Darby" or "the Company") is supportive of the adoption of principles and best practices as enshrined in the Code throughout the Sime Darby Group. It is recognised that the adoption of the highest standards of governance is imperative for the protection and enhancement of stakeholders' value and the performance of the Group.

The Board is pleased to present the following report on the application of principles and compliance with best practices as set out in the Code.

2. The Board of Directors

The Board has the ultimate and overall responsibility for corporate governance, strategic direction and overseeing the investments of the Company. The Board meets on a scheduled basis at least five (5) times a year. When the need arises, Special Board Meetings are also convened. Among the topics for deliberation are the financial statements and results of the Company and its subsidiaries, operational activities, strategic and corporate initiatives as well as matters specifically reserved for the Board's decision. Reports by Board Committees are also presented and discussed at the Board Meetings.

During the year ended 30th June 2006, there were six (6) Board Meetings and one (1) Special Board Meeting. The following are the details of attendance of each Director in respect of meetings held:-

Members	No. of meetings attended	Percentage
Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid (Chairman)	6 out of 7	86%
Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya (Deputy Chairman)	7 out of 7	100%
Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid	7 out of 7	100%
Tan Sri Abu Talib bin Othman	7 out of 7	100%
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali	7 out of 7	100%
Datuk Khatijah binti Ahmad	7 out of 7	100%
Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali	7 out of 7	100%
Michael Wong Pakshong	6 out of 7	86%
Dato' Mohamed bin Sulaiman (appointed on 26th October 2005)	3 out of 4	75%
Datuk Seri Panglima Andrew Sheng Len Tao (appointed on 1st March 2006)	2 out of 2	100%
Dr. David Li Kwok Po (retired on 25th October 2005)	2 out of 3	67%

3. Board Balance

The Board as at the date of this statement consists of ten (10) members. Nine (9) are non-executive Directors (including the Chairman) and one (1) is an executive Director. Five (5) of the ten (10) Directors are independent as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities Listing Requirements"). The independent Directors are:-

- (i) Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya
- (ii) Datuk Khatijah binti Ahmad
- (iii) Michael Wong Pakshong
- (iv) Dato' Mohamed bin Sulaiman
- (v) Datuk Seri Panglima Andrew Sheng Len Tao

There is optimum board balance and compliance with the independent directors criteria set out under the Bursa Securities Listing Requirements. Together, the Directors with their wide experiences in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience which is vital for the successful direction of the Group. A brief profile of each Director is presented on pages 7 and 8.

There is a distinct and clear division of responsibility between the Chairman and the Group Chief Executive to ensure that there is a balance of power and authority. The role of the Chairman and the Group Chief Executive are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Group Chief Executive has overall responsibilities over the operating units, organisational effectiveness and implementation of Board policies and decisions. The presence of independent non-executive Directors fulfils a pivotal role in corporate accountability. Although all the Directors have equal responsibility for the Group's operations, the role of these independent non-executive Directors is particularly important as they provide unbiased and independent views, advice and judgement to take account of the



interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business.

4. Supply of Information

Prior to Board Meetings, all Directors receive the agenda and a set of Board papers containing information relevant to the matters to be deliberated at the meetings. These are issued in sufficient time to enable the Directors to obtain further information or research, where necessary, in order to be properly prepared before the meeting. The Board papers include, among others, the following:-

- (i) quarterly financial report and a report on the Group's cash and borrowings position;
- (ii) minutes of meetings of the Group Management Committee;
- (iii) minutes of meetings of all Committees of the Board;
- (iv) quarterly risk management updates;
- (v) annual business plan; and
- (vi) shareholding structure and composition of the Company.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions, and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

All the Directors have direct access to the advice and services of the Group Secretary whether as a full board or in their individual capacity, in the furtherance of their duties. The Directors are regularly updated on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors. Directors whether acting as a full board or in their individual capacity may obtain independent professional advice in the furtherance of their duties, at the Company's expense.

5. Board Committees

To assist the Board in discharging its duties, various Board Committees were established. The functions and terms of references of the Board Committees are clearly defined and, where applicable, comply with the recommendations of the Code.

a. Executive Committee

The Executive Committee is delegated with such powers to ensure the smooth and effective running of the Company. The Executive Committee, as a general rule, meets on a monthly basis except for the months in which the Board meets. During the year ended 30th June 2006, five (5) meetings were held. The members of the Executive Committee during the year, and their attendance at the meetings, were as follows:-

Members	No. of meetings attended	Percentage
Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid (Chairman)	5 out of 5	100%
Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya	4 out of 5	80%
Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid	5 out of 5	100%
Tan Sri Abu Talib bin Othman	5 out of 5	100%
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali (appointed on 30th August 2005)	4 out of 4	100%
Datuk Khatijah binti Ahmad (appointed on 1st March 2006)	1 out of 1	100%
Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali (ceased as member on 28th February 2006)	4 out of 4	100%

b. Audit & Accounts Committee

The Audit & Accounts Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. Its principal function is to assist the Board in maintaining a sound system of internal control. The Committee has full access to the auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the external auditors without any executive present except for the Group Secretary, at least once a year.

In line with good corporate governance practice, the executive Director is not a member of the Audit & Accounts Committee.

The report on the Audit & Accounts Committee is presented on pages 9 to 11.

c. Remuneration Committee

The Remuneration Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of executive employees of the Sime Darby Group, including that of its public listed subsidiaries. The Committee recommends to the respective Boards of Sime Darby and its subsidiaries, the remuneration to be paid to each non-executive Director for his services as a member of the Board as well as Committees of the Board.

The Remuneration Committee is made up entirely of non-executive Directors. During the year ended 30th June 2006, four (4) meetings were held and the attendance of the members at the meetings, were as follows:-

Members	No. of meetings attended	Percentage
Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali (Chairman)	4 out of 4	100%
Tan Sri Abu Talib bin Othman	4 out of 4	100%
Datuk Khatijah binti Ahmad	4 out of 4	100%
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali (appointed on 30th August 2005)	2 out of 2	100%

d. Nomination Committee

The Nomination Committee has been charged with identifying and recommending new nominees to the Boards as well as committees of the Boards of Sime Darby and its public listed subsidiaries and major subsidiaries. However, all decisions on appointments are made by the respective Boards after considering the recommendations of the Committee.

During the year ended 30th June 2006, four (4) meetings were held. The members of the Nomination Committee during the year, all of whom are non-executive Directors and two-thirds of them are independent, and their attendance at the meetings, were as follows:-

Members	No. of meetings attended	Percentage
Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid (Chairman)	4 out of 4	100%
Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya (appointed on 30th August 2005)	3 out of 3	100%
Michael Wong Pakshong (appointed on 1st March 2006)	2 out of 2	100%
Dr. David Li Kwok Po (ceased as member on 25th October 2005)	0 out of 1	0%
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali (ceased as member on 28th February 2006)	2 out of 2	100%

Other duties and responsibilities of the Nomination Committee include:-

- to assess the effectiveness of the Board of Directors, the committees of the Board and each individual Director of Sime Darby and its subsidiary companies;
- to consider and recommend measures to upgrade the effectiveness of the Board and committees of the Board of Sime Darby and its subsidiary companies;
- to annually review the required mix of skills and experience and other qualities, including core competencies, which non-executive Directors should bring to the Board;
- to consider and recommend a policy regarding the period of service of executive and non-executive Directors;
- to consider and recommend solutions on issues of conflict of interest affecting Directors; and
- to evaluate and determine the training needs of Directors.

e. ESOS Committee

The ESOS Committee was established to administer the Sime Darby Employees' Share Option Scheme in accordance with the Bye-Laws approved by the shareholders of the Company. The present ESOS Scheme (ESOS 2001/2008) was implemented on 10th December 2001 and is governed by the Bye-Laws that were approved by the shareholders on 6th November 2001. During the year ended 30th June 2006, one (1) meeting was held. The members of the ESOS Committee during the year, and their attendance at the meeting, were as follows:-

Members	No. of meetings attended	Percentage
Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya (Chairman)	1 out of 1	100%
Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid	1 out of 1	100%
Datuk Khatijah binti Ahmad	0 out of 1	0%
Dato' Mohamed bin Sulaiman (appointed on 26th October 2005)	1 out of 1	100%
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali (ceased as member on 30th August 2005)	*	N/A

* no meetings were held from 1st July 2005 to the date of his cessation as member.



f. Risk Management Committee

The Risk Management Committee was established with the primary responsibility of ensuring the effective functioning of the integrated risk management function within the Sime Darby Group. The Committee meets at least once every quarter and as and when required to review specific matters.

During the year ended 30th June 2006, six (6) meetings were held. The members of the Risk Management Committee during the year, of whom the Chairman is an independent non-executive Director, and their attendance at the meetings, were as follows:-

Members	No. of meetings attended	Percentage
Datuk Khatijah binti Ahmad (appointed as Chairman on 28th February 2006)	6 out of 6	100%
Tan Sri Abu Talib bin Othman* (ceased to be Chairman on 28th February 2006 but remains as a member)	6 out of 6	100%
Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali	6 out of 6	100%
Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid	6 out of 6	100%
Dato' Mohamed bin Sulaiman (appointed on 28th February 2006)	1 out of 2	50%

* In accordance with the Terms of Reference of the Risk Management Committee, Tan Sri Abu Talib bin Othman stepped down as Chairman of the Committee as he ceased to be an Independent Non-Executive Director of the Company.

The duties of the Risk Management Committee are:-

- (i) to provide oversight, direction and counsel to the risk management process;
- (ii) to establish risk management guidelines;
- (iii) to evaluate the structure for the Group risk management, risk management processes and support system;
- (iv) to consider the quarterly report on risks, major findings and management responses thereto on material issues, changing environments and required changes in risk management programmes;
- (v) to carry out risk evaluation on:-
 - all capital expenditure proposals by the Company and its subsidiaries exceeding a certain limit,
 - any business ventures into new areas of business and any investment outside of Malaysia, and
 - any transaction which carries exceptional terms, conditions or obligations including contingent obligations;
- (vi) to review and approve action and contingency plans developed to mitigate key risks; and
- (vii) to advise the Board on risk related issues and recommend strategies, policies and risk tolerance for Board approval.

g. Consultative Committees

For each business division (each a "Division") forming part of the Sime Darby Group, the Board of Sime Darby has established a Consultative Committee to assist the Board in the oversight of the Division.

The Consultative Committees comprise the relevant management executives involved in the management of the companies within that Division and certain non-executive Directors identified by the Board based on the recommendation by the Nomination Committee. The members of the Consultative Committees are guided by the Terms of Reference which include the following duties and responsibilities:-

- (i) to contribute to corporate strategy development of the Division. The Consultative Committee will assist to streamline strategies and in the process bring objectivity and breadth of judgment to the strategic planning process and the implementation of such strategies;
- (ii) to assist in reviewing the conduct and performance of the Division's businesses and the performance of the Division;
- (iii) to identify principal risks and to ensure the implementation of appropriate systems to manage these risks and to achieve a proper balance between risks accepted and potential returns to shareholders;
- (iv) to review the adequacy and the integrity of the internal control systems and management information systems of the companies in the Division including systems for compliance with applicable laws, regulations, rules, directives and guidelines and to ensure that there is a satisfactory framework of reporting on internal financial controls and regulatory compliance;
- (v) to review audit reports prepared by the internal and external auditors with respect to the companies (other than the public listed companies) within the Division; and
- (vi) to adhere to and to apply the principles of good corporate governance and best practices.

6. Appointments to the Board and Re-election of Directors

There is in place a formal and transparent procedure for the appointment of new Directors to the Board. The proposed appointment of new member(s) of the Board as well as the proposed re-appointment or re-election of Directors seeking re-appointment or re-election at the Annual General Meeting, are recommended by the Nomination Committee to the Board for their approval. The Board makes the final decision on appointment.



In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment by shareholders annually in accordance with Section 129(6) of the Companies Act, 1965. In accordance with the Articles of Association, at least one-third of the remaining Directors are required to submit themselves for re-election by rotation at each Annual General Meeting.

For new Directors, there is a familiarisation programme in place, including visits to the Group's businesses and meetings with senior management as appropriate, to facilitate their understanding of the Group's businesses.

The Group Secretary ensures that all appointments are properly made, that all necessary information are obtained from the Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Bursa Securities Listing Requirements or other regulatory requirements. The Board will periodically examine the effectiveness of its present size in discharging its duties.

7. Directors' Remuneration

The objective of the Company's policy on Directors' remuneration is to attract and retain the Directors of the calibre needed to run the Group successfully. In the case of the executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set from the Company's annual budget and plans, and from returns provided to shareholders. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive Director concerned.

The Remuneration Committee recommends to the Board the framework of the executive Director's remuneration and the remuneration package for the executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the executive Director.

The annual remuneration payable to the non-executive Directors has been fixed by the shareholders of the Company at an amount not exceeding, in aggregate, RM1,000,000. Shareholders' approval will be sought at the forthcoming Annual General Meeting of the Company which will be held on 7th November 2006 for the increase in the annual remuneration for non-executive Directors from an amount not exceeding RM1,000,000 to an amount not exceeding RM1,500,000, in aggregate. The determination of the fees of each non-executive Director is decided by the Board as a whole. The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors.

The remuneration package comprises the following elements:-

(i) Fees and Meeting Allowances

The fees payable to each of the non-executive Directors is determined by the Board as authorised by the shareholders of the Company. All non-executive Directors are paid meeting allowances as determined by the Board to reimburse them for expenses incurred for attendance at Board meetings.

(ii) Basic Salary

The basic salary for the executive Director is recommended by the Remuneration Committee, taking into account the performance of the individual, the consumer price index and information from independent sources on the rates of salary for similar positions in other comparable companies. The salary is reviewed annually.

(iii) Bonus Scheme

The Group operates a bonus scheme for all employees, including the executive Director. The criteria for the scheme is dependent on various performance measures of the Group, together with an assessment of their performance during the period. Bonus payable to the executive Director is approved by the Remuneration Committee.

(iv) Benefits-in-kind

Other customary benefits (such as private medical care, car, etc.) are made available as appropriate.

(v) Retirement Arrangements

The Company contributes 16% of the executive Director's monthly salary to the Employees Provident Fund.

(vi) Service Contract

The Group Chief Executive has a three-year service contract with the Company. The notice period for termination of his employment is three (3) months on either side.

(vii) Directors' Share Options

The movement in Directors' share options during the year ended 30th June 2006 is set out on page 56.



The aggregate remuneration of the Directors of the Company categorised into the appropriate components are as follows:-

	Group RM'000	Company RM'000
Executive Director		
Salary and other remuneration	1,212	1,212
Benefits-in-kind	148	148
Non-Executive Directors		
Fees	1,215	1,013
Other remuneration	91	91
Benefits-in-kind	4	4

The aggregate remuneration of Directors of the Company for the financial year ended 30th June 2006, in respective bands of RM50,000 are as follows:-

Range of Remuneration	Number of Directors
Executive Director	
RM1,350,001 to RM1,400,000	1
Non-Executive Directors	
<RM50,000	1
RM50,001 to RM100,000	1
RM100,001 to RM150,000	2
RM150,001 to RM200,000	3
RM200,001 to RM250,000	2

8. Directors' Training

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. They also continued to attend other education programmes and seminars to keep abreast with developments in the market place.

The Company has on an ongoing basis identified conferences and seminars which will be beneficial to the Directors. The Company also organises in-house training programmes locally and regionally, facilitated by industry experts, for Directors of listed companies in the Group and senior management.

A Directors' Development Programme was held at the Sime Darby Convention Centre from 6th to 7th February 2006 and participated by the Sime Darby Board, the Directors of the Group's public listed subsidiaries, members of the Management Committee and other senior executives of the Company.

The training programmes, seminars and briefings attended by the Directors during the year ended 30th June 2006 include:-

On Financial Reporting

- Financial Reporting Standards Awareness
- Off-Balance Sheet Items, Offshore Accounts & Derivatives

On Corporate Governance

- Expanding the Pillars of Corporate Governance
- Making Corporate Boards more effective

On Other Areas

- Presentation on the 9th Malaysia Plan by Datuk Seri Panglima Andrew Sheng Len Tao
- Strategy Execution - Your Competitive Advantage for Surviving into the Future
- Forum on Commonwealth Business/Head of Governments, Malta
- Forum on Perdana Global Peace

9. Investor Relations and Shareholders Communication

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. The Company has an Investor Relations Unit which provides a platform for two-way communication between the Company and the shareholders and investors. In addition to various announcements made during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations. A press conference and an analysts' briefing are held after the quarterly financial results are released to Bursa Malaysia Securities Berhad. Summaries of the financial results are advertised in daily newspapers and copies of the full announcement are supplied to shareholders and members of the public upon request.



The Company has been using the Annual General Meeting, usually held in October/November each year, as a means of communicating with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board as well as the external auditors of the Company are present to answer questions raised at the meeting. Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and not just at the Annual General Meeting.

There has always been a reasonable turnout at the Company's Annual General Meeting and about 900 shareholders attended the meeting held in 2005.

In addition, shareholders can obtain up-to-date information on the Group's various activities by accessing its website at www.simedarby.com. Press releases and the latest quarterly results announcement of the Company can also be found on this site.

Any queries or concerns regarding the Sime Darby Group may be conveyed to the following persons:-

- i. Tunku Tan Sri Dato' Seri Ahmad bin Tunku Yahaya, Senior Independent Director
Telephone number : 603-2691 4122 extension 2266
Facsimile number : 603-2711 0139
- ii. Yeoh Poh Yew, Nancy, Group Secretary
Telephone number : 603-2691 4122 extension 2268
Facsimile number : 603-2382 1075
- iii. Mohamad Hishammudin bin Hamdan, Group Head-Strategy
Telephone number : 603-2691 4122 extension 2112
Facsimile number : 603-2713 5935

10. Financial Reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's financial position and prospects.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. All accounting standards which the Board considers to be applicable have been followed, subject to any explanations for material departures disclosed in the notes to the financial statements.

11. Internal Control

The Code requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Group's inherent system of internal control is designed to provide reasonable assurance but not absolute assurance against the risk of material errors, fraud or losses occurring.

The Statement on Internal Control which provides an overview of the state of internal control is set out on pages 20 and 21. The internal audit function of the Group which rests with the Group Corporate Assurance Department is described in the Report on the Audit & Accounts Committee on pages 9 to 11.

12. Relationship with the Auditors

Through the Audit & Accounts Committee, the Board has established transparent and appropriate relationships with the Group's auditors, both external and internal. The Committee meets with the external auditors without any executive present, except for the Group Secretary, at least once a year.

The non-audit fees paid to external auditors during the year ended 30th June 2006 amounted to RM4.3 million (2005: RM3.1 million).

13. Corporate Social Responsibility ("CSR")

Throughout the financial year ended 30th June 2006, the Group has continued to carry out its CSR through programmes which include scholarships, donations and environmentally-sound land management practices.

The Yayasan Sime Darby ("Yayasan"), which was set up in June 1982 has provided financial assistance to more than 500 Malaysians in realising their academic goals in some of the best education institutions in the world. The Yayasan also extends scholarship awards to Sime Darby Group employees' children who are pursuing their studies at institutions of higher learning.

Other education-related programmes sponsored by Yayasan include the Anugerah Pelajar Cemerlang Sekolah-Sekolah Teknik Di Malaysia, Skim Anak Angkat Yayasan Pelajaran MARA, Skim Anak Angkat Bekas Perajurit and the Annual Wolfson Leadership Programme conducted by Wolfson College, Cambridge, for senior officials from the Armed Forces and the Civil Service.



Charitable contributions in the form of cash or kind, remain an essential part of Sime Darby's CSR programme. During the year, the Group has donated RM1.2 million to the Cancer Research Initiatives Foundation ("CARIF"). The Group will continue to support CARIF in its quest in pioneering research on cancer. During the year, the Group has also provided contributions to other causes including Persatuan Sindrom Down Malaysia, Perdana Leadership Foundation and Persatuan Bencana Alam Negeri Kedah.

On Environmental, Safety and Health, Sime Plantations Sdn Bhd ("Sime Plantations"), a wholly-owned subsidiary of Sime Darby, carries out the replanting of palms using the zero-burning technique where old oil palm stands are felled, chipped and left to decompose in situ. This technique, which is regulated under the Environmental Quality (Clean Air) Regulations 1978, is designed to totally overcome the smoke pollution commonly associated with land clearing via slash-and-burn and to return all organic matter to the soil. Sime Plantations also practices integrated pest management which uses a combination of both biological and cultural practices to reduce dependency on chemicals in day-to-day operations. In line with the Group's commitment towards environment and social responsibility, Sime Plantations no longer uses paraquat to suppress the growth of noxious weeds.

14. Conclusion

Sime Darby has been in compliance with the Code during the financial year under review save for the disclosure of details of the remuneration of each Director. The Company complies with the disclosure requirements under the Bursa Securities Listing Requirements i.e. disclosure of Directors' Remuneration by applicable bands of RM50,000. The Board is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Directors' Remuneration are appropriately served by the band disclosure made on page 17.

This statement is made in accordance with a resolution of the Board of Directors dated 29th August 2006.

Statement On Internal Control

Responsibility

The Board of Directors acknowledges responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. The system of internal control designed to safeguard shareholders' investment and the Group's assets, by its nature can only manage rather than eliminate the risk of failure to achieve business objectives, and inherently can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established procedures to implement in full the recommendations of the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" for the Company and its subsidiaries. These procedures are intended to provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, excluding associated companies and joint ventures which have not been dealt with as part of the Group. The procedures, which were in place during the financial year ended 30th June 2006, are subject to regular review by the Board of Directors.

For the financial year under review, the Board is satisfied that the system of internal control was generally satisfactory. Where exceptions were noted, they were not material in the context of this report and corrective actions have been taken.

Risk Management

Risk policy

Risk management is regarded by the Board of Directors to be an integral part of the business operations. Management is responsible for creating a risk-aware culture and for building the necessary knowledge for risk management. They also have the responsibility for managing risks and internal control associated with the operations and ensuring compliance with applicable laws and regulations.

The main underlying principles of the Group's policy are:

- Informed risk management is an essential element of the Group's business strategy
- Effective risk management provides greater assurance that the Group's vision and strategy will be achieved without surprises
- Each Division (and each business unit therein) is expressly responsible for managing the risks associated with its business and investment objectives
- All material risks are to be identified, analysed, treated, monitored and reported.

The implementation of the policy and risk management framework that includes the strategy, culture, people and technology is the responsibility of the Group Chief Executive and members of the Management Committee.

Risk reporting

The Group's risk management framework provides for regular review and reporting. The reports include an assessment of the degree of risk, an evaluation of the effectiveness of the controls in place and the requirements for further controls. The key elements of the process are:

- Presentation of a summary of significant risks to the Board of Directors on a quarterly basis
- Reporting of significant risks by subsidiaries in their annual management plan
- Reporting of significant risks by Divisions to Sime Darby Berhad on a quarterly basis
- Review and discussion of key risks during the management meetings of the business units
- Review and discussion of key risks for each significant investment considered by the Risk Management Committee.

Control structure and environment

The Board of Directors is committed to maintaining a strong control structure and environment for the proper conduct of the Group's business operations. The key elements are:

Operating structure with clearly defined lines of responsibility and delegated authority

The operating structure includes defined delegation of responsibilities to the committees of the Board, the management of Group Head Office and the operating units.

Independence of the Audit & Accounts Committee

The Audit & Accounts Committee comprises non-executive members of the Board, with the majority being independent directors. The Committee has full access to both internal and external auditors and it meets with the external auditors without any executive present, except for the Group Secretary, at least once a year.



Written policies and procedures on the limits of delegated authority

The limits of delegated authority are clearly defined and set out in the Group Policies and Authorities ("GPA") and the Divisional/Operating Unit Standard Operating Procedures. These policies and procedures are reviewed regularly and updated when necessary. In early 2006, a revised set of GPA was issued to all executives and road-shows were conducted throughout the Group to facilitate awareness and compliance.

Corporate values

Corporate values, which emphasize ethical behaviour, are set out in the GPA.

Comprehensive information system

This information system includes preparation and submission of annual management plans, budgets and other information to the Board of Directors. Budgets prepared by operating units are regularly updated and explanation of variances is incorporated in the monthly management reports. The Sime Darby Management Committee comprising the Group Chief Executive, the Group Chief Financial Officer and all Divisional directors review the performance and results of operating units on a monthly basis.

Employee competency

Emphasis is placed on the quality and abilities of employees with continuing education, training and development being actively encouraged through a wide variety of schemes and programmes.

Corporate Assurance

Previously known as Internal and Management Audit Department, the Group Corporate Assurance Department ("GCAD") has expanded its role to include business analyses on top of its internal audit function. The GCAD function, which reports directly to the Audit & Accounts Committee, conducts business reviews and analyses, reviews on systems of control and the effectiveness of the processes that management has in place to identify, manage and report risks. The GCAD is adequately staffed by employees who are qualified to carry out their work.

Board Risk Management Committee

To demonstrate the Group's commitment to risk management, a Board Risk Management Committee was established on 24th August 2004 and a Group Chief Risk Officer was appointed in January 2005. The Group Chief Risk Officer reports to the Group Chief Executive and has reporting responsibilities to the Board Risk Management Committee. A system of reporting by operating units has been established and such reports are subject to review and challenge quarterly by the Group Chief Risk Officer. The Risk Management Committee reviews the significant risks from these reports every quarter. In addition, workshops and briefings have been extensively conducted throughout the Group on Risk Management and on the GPA to all executives including those in newly acquired subsidiaries.

Monitoring and review of the effectiveness of the system of internal control

The processes adopted to monitor and review the effectiveness of the system of internal control are:

- regular confirmation by the chief executive officer and chief financial officer of the respective operating units on the effectiveness of the system of internal control, highlighting any weaknesses and changes in risk profile. The same confirmation is provided by the Group Chief Executive and Group Chief Financial Officer to the Board annually.
- the Control Self-Assessment ("CSA"), which was implemented in 2004, is continuously carried out during the year by selected operating units using the questionnaire approach. The focus of the CSA is to ascertain level of compliance to procedures.
- periodic examination of business processes and the state of internal control including control over quality, environmental, safety and health issues by the CA function. Reports on the reviews carried out by the CA function are submitted on a regular basis to the management and the Audit & Accounts Committee.

The monitoring, review and reporting arrangements in place give reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error or deliberate circumvention of control procedures by employees and others.

This statement is made in accordance with a resolution of the Board of Directors dated 29th August 2006.

Statement On Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the year and the results of the Group and the Company for the year. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the Malaysian Accounting Standards Board approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the year ended 30th June 2006 set out on pages 58 to 112, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 29th August 2006.



Chairman's Statement
& Group Chief Executive's
Message

Chairman's Statement



Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid
Chairman

On behalf of the Board of Directors of Sime Darby Berhad ("Sime Darby"), it is my pleasure to present the Annual Report, incorporating the Financial Statements of the Group and the Company for the year ended 30th June 2006.

Changes to the Board of Directors

The Group would like to take this opportunity to welcome two new Independent Non-Executive Directors, Dato' Mohamed bin Sulaiman and Datuk Seri Panglima Andrew Sheng Len Tao who were appointed on 26th October 2005 and 1st March 2006 respectively. The additions will strengthen the Board given their strong local and international experience.

The Group would also like to highlight the changes to the positions of certain Board members. Tan Sri Abu Talib bin Othman, Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali and Raja Tan Sri Muhammad Alias bin Raja Muhammad Ali have all now assumed new roles as Non-Independent Non-Executive Directors from their former roles as Independent Non-Executive Directors.

Financial Highlights

(Amounts in RM million)	2006	%	2005	%
Plantations	249.8	14.6	272.8	17.3
Property	229.5	13.4	325.7	20.7
Heavy Equipment	570.2	33.3	457.8	29.1
Motor Vehicles	360.0	21.0	300.0	19.0
Energy & Utilities	296.7	17.3	210.4	13.4
General Trading, Services and Others	7.9	0.4	7.4	0.5
	<u>1,714.1</u>	<u>100.0</u>	<u>1,574.1</u>	<u>100.0</u>
Unusual items	(7.8)		(177.0)	
Unallocated corporate expenses	(31.8)		(25.4)	
Investment and interest income	89.5		88.3	
Finance costs	(121.8)		(95.2)	
Profit before taxation	1,642.2		1,364.8	
Taxation	(439.1)		(431.4)	
Profit after taxation	1,203.1		933.4	
Minority interests	(82.5)		(132.2)	
Group net profit for the year	<u>1,120.6</u>		<u>801.2</u>	

The Group is pleased to report that for the first time in its history, Sime Darby has managed to report a record net profit exceeding the RM1 billion mark. Net profit for the year was RM1.12 billion, a substantial increase of 40% over the previous year.

This is on the back of a turnover of RM20.16 billion, a growth of 8% over the previous year. The turnover growth was primarily driven by the Heavy Equipment and the Motor Vehicles Divisions.

Profit before tax increased to RM1.64 billion, an increase of 20% over the previous year largely due to the healthy contribution from the Energy & Utilities and Motor Vehicles Divisions and continued outstanding performance of Heavy Equipment.

The improvement in the Group's net profit has translated to a significant improvement in the Group's Return on Shareholders' Funds from 9.8% in the previous year to 13.3%.



Financial Position

The Group started the year with a net debt position of RM509.5 million and ended with a lower net debt position of RM407.6 million. Despite total borrowings rising by 24.1% to RM3,339.8 million to fund acquisitions and other capital expenditures, the stronger net profit growth and disposals have managed to off-set any significant increase in net debt position.

The Group will continue its efforts to seek growth opportunities while striving to optimise capital structure in order to maximise Return on Shareholders' Funds.

Dividends

In view of the Group's strong earnings, the Board is pleased to recommend a final gross dividend of 25.0 sen per share, bringing the total gross dividend for the year to 30.0 sen per share, an increase of 15% from the previous year.

The Group will strive to maintain an appropriate balance of providing its shareholders with sustainable cash returns from dividends while conserving adequate funds for reinvestment that is necessary to enhance future profitability.

Our Strategy

The Group's primary objective is to maximise shareholders' value by maximising returns on capital invested and optimising the productivity of its employees.

As a conglomerate, the Group has outlined the following broad strategies that it believes are vital for it to maximise its shareholders' returns:-

- Strengthening its focus on core businesses, and continuously reviewing its core competencies vis-a-vis the fast changing industry landscape
- Aiming for continuous growth in synergistic, related businesses through horizontal and/or vertical integration
- Fostering a learning culture and providing necessary tools and platforms in order to ensure continuous enhancement in the productivity of its employees

The individual strategies that have been mapped out for each core business are as follows:-

- **Plantations** - we will continue to look for opportunities to expand our hectareage and invest in selected downstream activities
- **Property** - we will reinvigorate the business given the current soft market conditions and introduce quality property launches in an effort to focus on the medium to high-end market
- **Heavy Equipment** - we will continue in our efforts to maximise the contribution from the strong industry activities while reassessing options to prepare ourselves against any potential uncertainties in the future
- **Motor Vehicles** - we will continue in our efforts to consolidate and integrate the business in view of the soft market conditions and to prepare to capitalise on future growth opportunities
- **Energy & Utilities** - in the Oil and Gas business, we will continue to look for opportunities within the sector in order to fully benefit from the strong industry activities whilst in the Utilities business, we will continue to search for local and regional opportunities

Major Corporate Activities

A summary of the Group's major corporate activities during the year is set out below:-

Acquisitions

- On 19th August 2005, Subang Jaya Medical Centre Sdn Bhd acquired the entire equity interest in Megah Medical Specialists Group Sdn Bhd for RM10.7 million.
- On 18th November 2005, Sime Overseas Sdn Bhd entered into an agreement with Weifang Yintong Guoji Investment Co. Ltd. for the establishment of Weifang Sime Darby Investment and Management Co. Ltd. and the acquisition of 80% equity interest each in Weifang Sime Darby Port Co. Ltd and Weifang Sime Darby Water Co. Ltd for USD20.0 million and USD10.0 million respectively.



- On 6th February 2006, AmMerchant Bank Berhad announced on behalf of Sime Darby Berhad and Hyundai-Sime Darby Berhad ("HSD"), the proposed voluntary withdrawal of HSD from the Official List of Bursa Malaysia Securities Berhad pursuant to Paragraph 16.04 of the Bursa Malaysia Securities Berhad's Listing Requirements. The entire issued and paid-up share capital and warrants of HSD were de-listed from the Official List of Bursa Malaysia Securities Berhad with effect from 26th July 2006.
- The privatisation of Tractors Malaysia Holdings Berhad was completed on 24th February 2006. The consideration was settled by the issuance of 41,139,600 new ordinary shares of RM0.50 each in Sime Darby Berhad and RM75.3 million in cash.

Disposals

- On 9th August 2005, SD Holdings Berhad disposed the entire equity interest in Simex Chemical Sdn. Bhd. for RM1.3 million.
- On 28th October 2005, Sime Darby Singapore Limited acquired the remaining 10% equity interest Technochem Private Limited ("Technochem") for S\$596,300 and thereafter disposed the entire 100% equity interest in Technochem for S\$9.2 million.
- On 29th December 2005, Sime Singapore Limited entered into a Share Sale Agreement with F&NCC Beverages Sdn. Bhd. for the disposal of its entire 51.12% equity interest in Sime Oleander Sdn. Bhd. for RM8.6 million. The disposal was completed on 12th April 2006.

Government-Linked Company ("GLC") Transformation

Sime Darby welcomes the Government's initiative to improve GLCs performance through the implementation of the GLC Transformation Programme. The Programme is broken into nine key initiatives of which eight have already been rolled out. The Group is on track to roll out all the nine initiatives by the end of 2006.

The initiatives under the GLC Transformation Programme complement best practices across the Group which include amongst others, the enhancement in operational efficiency, capital structure, human resources and Board responsibilities. This programme will complement other initiatives for Sime Darby to achieve world-class performance.

A secretariat has been set up to monitor the progress of the Programme in order to ensure tangible results are delivered.

Our People

As the Group seeks sustainable growth through aggressive expansion in its business operations, the Group also acknowledges the importance of developing and retaining talent within the organisation in its aim to create a performance culture driven by excellence.

The Accelerated Leadership Development Programme is an example of one of the numerous initiatives that the Group has embarked on to ensure that a robust succession plan exists and that our employees are equipped with the right support to be nurtured and groomed into future leaders who will keep the Group on course for a promising future ahead. However, this is also supplemented by external appointments with the aim of infusing new ideas and perspectives into the corporate mindset.

As part of its ongoing endeavours to develop a flexible and mobile workforce, the Group will continue to rotate senior management between the various business divisions.

In an effort to better meet the development needs of its employees which number some 28,000, we have since established the Sime Darby Business School which is based at the new Sime Darby Convention Centre. The Business School serves as a platform for all employees to learn about the Group's Business Culture, Direction, Mission, Philosophy, Strategy, Values and Best Practices. The School's Centre of Excellence provides the opportunity for employees to develop leadership, managerial, business operations and organisation development skills and to be competent in delivering business results to meet the corporate objectives.

Corporate Governance

Corporate governance has been given renewed prominence under the GLC Transformation Programme.

The Board is committed to ensuring that the highest standards of fairness, transparency and accountability are practised at all times, to adhere to the Malaysian Code on Corporate Governance and the UK Combined Code on Corporate Governance.

Under the "Green Book" initiative of the GLC Transformation Programme, the Group has taken stock of the composition of its Board, the delineation between the Chairman and the Group Chief Executive and the role of Board Committees. Championing good corporate governance, transparency and accountability will enculture the entire organisation.

**Corporate Social Responsibility ("CSR")**

Throughout the financial year, the Group has continued to carry out its CSR through programmes which include scholarships, donations and environmentally-sound land management practices.

Prospects for the Year Ahead

The Group remains cautiously optimistic of the future that lies ahead despite the uncertainties of rising oil prices and interest rates. We are steadfast in our belief that we are adequately prepared to ride out the challenging economic conditions.

With the critical pillars for growth in the form of sound financials, a highly professional management team and high governance firmly in place, we will continue to improve returns on existing assets and to seek out compelling value acquisitions whilst carrying on the corporate reforms embarked on previously as sustainable shareholders' value creation remains our primary objective.

The Group is poised to move forward to create new growth platforms as Malaysia's leading conglomerate driven by high performance and high accountability.

Acknowledgements

Amidst the various challenges in the global market, the Group has remained strong and resilient. This is attributed mainly to the skills, acumen and commitment shown by the people who make up the Group - Board of Directors, Group Chief Executive, senior management team and staff. I thank you all for your tireless effort, dedication and loyalty.

To our valued customers, investors and business partners, on behalf of my fellow Directors, we wish to extend our sincerest appreciation for your continued trust in us and your confidence in our future.

Last but certainly not the least, to our shareholders, we thank you for your unwavering support and for the continuous faith held in us. We will continue to build on the reputable and proven track record of Sime Darby to continue to strive for excellence and profits.

Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid
Chairman

29th August 2006

Group Chief Executive's Message



Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid
Group Chief Executive

In many respects, 2005/06 represented a watershed in the management of the Group's businesses. Our clarity of focus and the consistency in our efforts to build a set of distinctive organisational capabilities are now beginning to show positive results.

With our renewed focus on the Group's five core businesses, we have been successful in executing our strategies to accelerate our growth, thus improving our financial position and shareholders' value. There are clear indications that we are beginning to reap the benefits of the strategies undertaken, bringing the Group's profitability and growth to a new level.

We are pleased to report that for the first time in its 96-year history, the Group has achieved a record net profit exceeding the RM1 billion mark for its full financial year ended 30th June 2006. Net profit for the year was RM1.12 billion, a substantial increase of 40% over the previous year. The improvement in the Group's net profit has translated to a significant improvement in the Group's Return on Shareholders' Funds from 9.8% in the previous year to 13.3%, the highest since the Asian Financial Crisis.

The strong improvement in the financial results is attributed to the highly disciplined management focus in the last two years on growing and developing the Group's core business drivers. We have also successfully redeployed the proceeds from the disposal of our non-core assets to support the strategic expansion of our core businesses.

In the last two years, Sime Darby has managed to grow its turnover and net profit by 35% and 22% respectively, while total non-core assets disposed have raised cash proceeds of over RM1 billion. With such progress made, the Group is pleased to highlight its achievement in recording for the first time a revenue exceeding the RM20 billion mark. Revenue for the financial year ended 30th June 2006 was RM20.16 billion, a growth of 8% over the previous year.

The significant improvement in earnings has once again provided the Group the financial strength to announce a significant increase of 15% to its total gross dividend for the financial year ended 30th June 2006. Total gross dividend for the year is 30.0 sen per share, which translates into a payout ratio of 51%. The Group is confident it can continue to maintain a dynamic and healthy balance between paying a highly rewarding return to its shareholders and driving its strong commitment to invest in the future growth of its core businesses.

With such momentum built, Sime Darby is well-positioned to move forward with the value-driven growth strategies in place in all its core businesses. We are confident that after two years of strategic restructuring and transformation, the Group is now ready to perform in an execution-driven culture, to become one of tomorrow's leading multinationals in the region.

In nurturing our global aspirations, we know the absolute importance of staying focused on our core businesses and creating the competitive edge. The emphasis on building our core businesses to be among the market leaders will enable Sime Darby to regain its position as one of the region's top multinationals.

Operating as a conglomerate with business interests in six different industries in more than 20 countries, we undertook an in-depth review of our operations to ensure that the Group's capital was allocated to the right sectors and managed competently. Following the review, we have embarked on the reorganisation of the management structure along business lines instead of geographical divisions to enable the Group to grow its synergy across its lines of businesses and across the industries, creating



centres of expertise across the Group that will result in powerful leaps in value innovation. As a result, we were able to execute our strategies of focusing on our core businesses, divesting non-core businesses and optimising our capital structure.

We firmly believe that the key enabler to Sime Darby's success lies in its people. The human potential is still the primary sustainable competitive edge. We need the talents, creativity, discipline, enthusiasm and energy of our people to help us achieve our goals and turn our strategies into reality.

The path of building sustained success lies in investing in people management processes to unleash the human potential. To optimise our strengths group-wide, we believe in building an empowerment culture that enables people to realise and unlock their full potential. It is about developing highly valuable intellectual capital through continuous training and development.

In a highly competitive environment of globalisation, and being a multinational deriving approximately 70% of its revenue and 60% of its profit before interest and tax (for the financial year ended 30th June 2006) from non-Malaysian operations, Sime Darby understands the strategic imperative of building readiness for the global economy. In our major strategic thrusts, we are increasing our business activities in the region and building our global visibility. We are moving forward with more strategic joint ventures, focusing on fostering effective collaborative partnerships to provide superior value in our delivery.

With a clear focus to move forward rapidly on strategic investments in the Group's future, we are optimistic that the Group results for the financial year ending 30th June 2007 will promise better value for the shareholders.

By nurturing a culture of high-performance management, we are in an excellent position to face the challenges ahead. These are exciting times offering tremendous growth prospects for Sime Darby. We are ready and will demonstrate a willingness to embrace new opportunities with a commitment to create value. We will continue to explore pioneer approaches to create long-term value for our customers, shareholders, employees and partners. And we aim to be the best in terms of value innovation.

To optimise the full potential of the Group, we have also increased our commitment to Corporate Social Responsibility ("CSR") initiatives. We are committed to integrating CSR programmes into our businesses to enable the Group to operate in a financially, socially and environmentally sustainable manner.

At the heart of all this, the challenge for the Group is to create and drive sustained, profitable growth in the future. The challenge is to work collaboratively with all our strategic partners to build the great future of Sime Darby.

Dato' Ahmad Zubair @ Ahmad Zubir bin Haji Murshid
Group Chief Executive
29th August 2006

Operations Report

PLANTATIONS

Plantations

The Plantations Division recorded marginally reduced profits as compared to the previous financial year due to lower market prices of the palm products and lower oil production due to changes in crop pattern and the effects of floods in certain estates in Peninsular Malaysia and Sabah.

The operations improvement programme continued to contribute to better productivity in the estates and mills. However, these efforts were negated by the higher fuel prices which resulted in an increase in the cost of production.

As part of the Group's commitment to Corporate Social Responsibility, the Plantations Division has always taken a long term view on sustainable palm oil production, with best practices that include zero burning at replanting, complete recycling of mill wastes to minimise usage of inorganic fertilisers, as well as integrated pest and weed management to minimise use of toxic chemicals. As a matter of policy, the Division avoids acquisition of land with primary forests, peat or steep terrain. As a signatory to the Roundtable on Sustainable Palm Oil ("RSPO"), the Group has incorporated the RSPO's principles and criteria into the Divisional standard operating procedures. The Group is also embarking on a traceability programme to ensure production of food-safe palm oil.

Plantations Statistics (including Kalimantan)	2005/06	2004/05
Planted Hectareage - Oil Palm (in Hectares)	80,163	80,191
Fresh Fruit Bunches ("FFB") Production (in MT)		
Own Crop	1,624,097	1,635,417
Deduct: Crop Sold Unprocessed	(73,493)	(75,844)
Outside Purchases	300,359	317,507
Total FFB Processed	1,850,963	1,877,080
FFB Yield (in MT per Hectare)	22.5	23.4
Average Selling Price (in RM per MT)		
FFB	293	294
Crude Palm Oil ("CPO")	1,407	1,439
Palm Kernels ("PK")	953	1,036
Sales Volume (in MT)		
FFB	73,493	75,844
CPO	368,379	373,334
PK	99,810	101,017
Oil Extraction Rate (in %)	19.7	20.0
PK Extraction Rate (in %)	5.4	5.4



Oils & Fats

A number of de-bottling exercises were carried out and investments are under way to increase plant capacity to meet the higher demand. The potential for growth in the demand for specialty fats remains bright. Competition, however, is strong from other companies increasing their forays into the industry and existing producers investing to expand their plants.

The Morakot Industries Public Company Limited ("Morakot") expansion programme was completed in November 2005 at a total cost of Baht620 million. The expansion entailed the acquisition of a new PET bottling equipment and filling line system, and an increase in Morakot's fractionation capacity.

Agri-Foods

Sime Aerogreen Technology Sdn Bhd ("SAT") completed its expansion plan in September 2005 and full utilisation was achieved by January 2006. With a 30% increase in production capacity, the farm is expected to better cope with the increasing demand. As part of its commitment to deliver better quality vegetables and varieties for the market, SAT re-activated its R&D greenhouse during the year to test suitability of new varieties under the aeroponics system and to develop better new nutrient formulations for crop growth.

*Facing Page:
Palm fruits - the heart of the
Sime Darby Plantations Division's
operations*

*Below Left:
Palm cooking oil in bottles
refined at Morakot*





PROPERTY

Development

Malaysia

Putra Heights, Sime UEP Properties Berhad's ("Sime UEP") third township in the Klang Valley launched in 1999, continued as one of the most sought-after suburbs. With more than 15,000 residents, Putra Heights' population continued to grow following the handing over of 616 units of double-storey linkhomes and 28 units of double-storey shop-offices, to their buyers during the year under review.

During the year, three more phases were launched in Putra Heights' signature Laman Putra Precinct comprising 279 units of double-storey linkhomes and super-link homes. Responding to market demand for landed properties elsewhere in the township, Sime UEP also launched 222 units of double-storey linkhomes during the year.

Taman Perindustrian UEP Subang Jaya's launch of three phases of 342 units of double-storey linkhomes received very encouraging response from home buyers. These were supplemented by the launch of 30 units of double-storey shop-offices which enjoyed more than 90% take-up rate on the launch day itself.

At the same time, Pinggiran USJ launched 23 units of double-storey shop-offices and 152 units of double-storey linkhomes. Sime UEP also reaffirmed its commitment to its social obligations with the delivery of 550 units of "Sri Kayan" low cost apartments in Pinggiran USJ.

The vigour of the newer developments echoed the performance of the matured UEP Subang Jaya (USJ) where the final 181 units of double-storey linkhomes in the established neighbourhood, launched in June 2004, were handed over to home owners on schedule in June 2006.

Over in Bandar Bukit Raja, development continued to focus on Stage I comprising mainly residential properties.

During the financial year under review, Sime UEP opened its new Sales Office in Bandar Bukit Raja with a fully-furnished sample unit of a one and a half-storey linkhome built adjacent to it. The township also launched 352 units of a mix of landed residential properties comprising double-storey, one and a half-storey and single-storey linkhomes. During the year, Bandar Bukit Raja welcomed more additions to its community when another 354 units of landed residential properties and 690 units of low cost apartments were handed over.

In the Ara Damansara township, the year under review saw the handing over of an aggregate of 794 units of double-storey linkhomes and a mix of medium-cost and low-cost apartments to their home owners followed by 36 units of double-storey shop-offices known as "Ara Walk". Ara Damansara has, over the years, established itself as one of the premier choice locations in the Klang Valley. The township's value and appeal were increased with the opening of the Ara Underpass along the Sultan Abdul Aziz Shah Airport Road which gives direct access to the entrance of the township.

During the year, Sime UEP Development Sdn Bhd and Sime Darby Property Development Sdn Bhd acquired a 40% and 30% stake respectively in Sime UEP Brunfield Properties Sdn Bhd, a joint venture company with Brunfield Subang Jaya Sdn Bhd (30%). The new joint venture company will undertake joint development of projects mutually agreed upon.



Singapore

The launch of Orion, the 27-storey luxurious freehold residential development located at 6C Orange Grove Road, Singapore was very well received. To-date, close to 90% of the 46 units have been sold and the building is scheduled for completion in September 2007.

Balmoral Hills, an exclusive residential development set on high ground at Balmoral Park in prime District 10 was launched during the second half of the year. The twin 12-storey blocks comprise 62 luxurious freehold apartments priced at an average of S\$1,250 per square foot.

Asset Management

Malaysia

The refurbishment of Wisma Sime Darby building is in progress. Wisma Sime Darby is a 22-storey building owned by the State Government of Sabah and managed by the Group.

Shaw Brothers (M) Sdn Bhd, an associate involved principally in property management and investment, maintained its profits during the year.

Singapore

Sime Properties Singapore achieved over 90% occupancy at Sime Darby Centre and full occupancy at Performance Centre during the year. Work is underway to upgrade the facade of Sime Darby Centre by the end of 2006. Sime Darby Enterprise Centre, another of Sime Properties Singapore's investments along Jalan Bukit Merah, will be ready for occupation in the last quarter of 2006.

Indonesia

In Jakarta, the Cilandak Commercial Estate, owned and managed by an associate, P.T. Bhummyamca Sekawan, continued to do well, registering an average annual occupancy exceeding 90%.

*Facing Page:
The contemporary design of
Astaria superlink homes in Sime
UEP's Putra Heights in
Subang Jaya*

*Bottom Right:
The Sime Darby Convention
Centre's reception lobby*

*Bottom Left:
Launched during the year - the
exclusive Balmoral Hills
residential development located
in Singapore's prime District 10*





Hospitality

The Group currently owns and manages the following hotel and service apartments - Hotel Equatorial Melaka (managed by Hotel Equatorial Malaysia), PNB Darby Park, Malaysia (owned by Permodalan Nasional Berhad Group), Darby Park Executive Suites, Singapore and Rangdong Orange Court, Vietnam. It also has investments in Karri Valley Resort, Quest Subiaco and Quest Margaret River in Western Australia.

Malaysia

During the year, PNB Darby Park in Kuala Lumpur continued to boast healthy occupancy levels despite the competitive environment. On 25th August 2005, the Prime Minister, Datuk Seri Abdullah Ahmad Badawi officiated the launch of the 39th floor of the serviced apartment building.

The Sime Darby Convention Centre ("SDCC"), located in the vicinity of the Kuala Lumpur Golf & Country Club, commenced operations in early 2006. SDCC, which comprises the 1,200-seat Grand Ballroom, the China Treasures Chinese restaurant, the Halia cafe, six function rooms, a VIP lounge, a Hospitality Suite and the Sime Darby Business School, has proved to be a popular venue for corporate events and wedding functions.

Singapore

Darby Park Executive Suites reported higher occupancy levels in the year and the trend is expected to continue in view of the healthy business climate.

Australia

The Quest Subiaco property in Perth performed strongly during the year with occupancy levels exceeding 90%. The strong local economy, driven mainly by the activities of the mining industry, contributed to a strong corporate use of the property.

Others

Richmond Park, an exclusive residential and commercial development co-owned with ING Real Estate and Nanfung Group, a major listed property group based in Hong Kong, continued to attract strong buying interest. Phase 1 comprising 408 units of apartments was a sellout and handover to purchasers commenced according to schedule in April 2006.

The Group also teamed up with a strategic partner, the Brunsfield Group, to acquire the remaining development land within Oyster Cove, a residential development located on Queensland's popular Gold Coast.





*Facing Page:
Upgrade in progress - Sime Darby
Centre, Singapore*

*Top Right:
Poolside, Quest Subiaco in Perth,
Western Australia*

*Top Left:
Sime Darby Enterprise Centre,
along Jalan Bukit Merah in
Singapore*

*Bottom:
Richmond Park, an exclusive
residential and commercial
development in China*





HEAVY EQUIPMENT

Malaysia

The financial year ended 30th June 2006 was an encouraging year for the Heavy Equipment Division. The traditional logging sector saw continued demand for timber products from China and Japan resulting in stable plywood and log prices which spurred demand for excavators and skidders. However, reduced Government spending on large infrastructure projects saw demand from the construction sector decline.

High oil prices led to an increase in oil and gas activity resulting in higher demand for engines and generator sets.

Demand from the agricultural sector, in particular from East Malaysia, provided growth opportunities for Case New Holland and Kubota tractors.

Parts and service sales recorded another year of steady performance due to sustained activity in the logging sector. The Heavy Equipment Division continued to develop long term strategies with its principals and business partners to address the concern of "will-fit" parts that are coming in from China and Korea. The introduction of long term maintenance agreements, which has largely been well received by our customers, also contributed to the increased parts and service revenue.

Tractors Manufacturing & Assembly Sdn. Bhd. in Pasir Gudang, Johor, benefitted from higher levels of activity in the ports sector in the region, which resulted in increased demand for locally fabricated Terberg-branded terminal tractors. Improved collaboration with principals to lower costs resulted in more products like the Caterpillar 527 machines being locally assembled. Our principal has also requested that we commence the manufacturing of Caterpillar paving products for the regional market.

Otofin Sdn Bhd and Otofin Industries Sdn Bhd, which market Perkins engines and generator sets, had a tough year with the increasing availability of competitive products especially from China.

Sales of Terberg terminal tractors were very encouraging with increased orders especially from Vietnam, India, the Philippines, Australia, New Zealand, Thailand and Singapore.

The Technical Services Division, in joint-venture with Sime Engineering Sdn Bhd, successfully won the bid to construct the Kuantan and Segamat Gas Compressor Stations for Petronas Gas.

The Group expanded its operation into Vietnam through the acquisition of a majority stake in CICA Ltd, which markets, sells and services Renault trucks, Ingersoll Rand compressors and other industrial products.

China (including Hong Kong SAR)

The easing of the power shortage in Southern China affected sales of generator sets. However, the sales of marine and truck engines remained strong. Our expertise in engines application enabled us to capture opportunities arising from the booming demand for pleasure crafts.

The parts and service business enjoyed a stable year. The established relationship with the Hong Kong Government and sanitary landfill operators saw steady demand for the repair and maintenance of equipment.



Sales of hydraulic excavators increased due to promotion campaigns and innovative financing packages with Caterpillar China Finance Ltd. The China operations also successfully concluded major deals for track-type tractors with China Petroleum and other major customers.

Singapore

For the year under review, Tractors Singapore Limited ("TSL") reported a better turnover despite a volatile scenario of continued high oil prices, the looming bird flu epidemic, high interest rates and the possibility of a US economic slowdown.

Nature's havoc in the form of Hurricane Katrina and the relentless global search for oil resulted in Singapore shipyards reporting fully booked berths up to year 2008. This phenomenal growth augured well for TSL's Power Systems Division's engine sales to the marine/petroleum market. TSL's Product Support Department also benefited from this escalation, with its workshop arm fully deployed on engine repairs and overhaul jobs.

For the first time in several years, the local construction industry's performance reflected an improvement. Increased Government spending on infrastructure led to our customers securing projects which in turn enabled us to capture more equipment sales.

During the year, TSL became the first Caterpillar dealer in Asia to deliver the Caterpillar model PM-200 Cold Planer, a milling machine to restore the asphalt surface on roads. The handover took place in October 2005.

In December 2005, TSL was recognised for its capability and made the Asian Technical Partner of Caterpillar's Asia Pacific Marine Excellence Center which assists all Asia Pacific

Caterpillar dealers to provide total solutions to their respective marine industries.

The hive of regional activities during the year also provided opportunities for FG Wilson Asia Pte Ltd, an associate of TSL.

Hastings Deering

With global demand for minerals continuing to fuel a strong mining sector, the Hastings Deering group enjoyed another excellent year. Mining companies continued expanding their operations to meet global demand and maximise opportunities in this buoyant environment. Other markets, including construction and government, also made valuable contributions.

In supporting our customers during the past year, the Hastings Deering group reached several milestones. Equipment sales, rental and product support all achieved record sales and profits and in doing so, our staff numbers passed the 2,000 mark. Hastings Deering proudly became the first Australian Caterpillar dealer to sell 1,000 machines in a year, recording market leadership in several sectors and for several products.

*Facing Page:
Terberg tractors distributed by Tractors Malaysia enjoyed increased export orders during the year*

*Bottom:
TSL was the first Caterpillar dealer in Asia to deliver and commission Caterpillar's Cold Planer model PM-200 for road pulverisation and milling operations*



Australia

Australian operations accounted for the majority of Hastings Deering's growth on the back of a very strong coal sector. With growth of the size and dimension experienced in recent years, management and staff have worked hard to ensure that customers continue to enjoy the standards of service and support that they have traditionally come to expect. Buildings in all major branches are currently undergoing expansion to accommodate increasing volumes of work. Necessary investment in working capital also continues to ensure adequate resourcing of projected growth.

Austchrome, which specialises in repairing and reclaiming hydraulic components, had a flat year as a result of skills shortages. Its operational focus has been on the commissioning of its new Laser Fusion surfacing equipment. Early indications are that this new high-tech surfacing technology will significantly expand reclamation opportunities in both traditional and new markets and fresh plans are in place to grow this business significantly in coming years.

Papua New Guinea

Operations in Papua New Guinea principally revolve around the support of mining operations at Ok Tedi, Porgera and Lihir Island. With only limited growth opportunities, it was a steady year of acceptable financial returns.

Solomon Islands

The Solomon Islands operations revolve around the logging industry and have continued profitably despite several months of civil strife. Peace appears to have now been restored and prospects remain encouraging.

New Caledonia

Opportunities for machine sales and support by Caltrac in New Caledonia are based around nickel mining which has been buoyant on the back of strong nickel prices. Caltrac had a record year as miners invested in fleets of new and replacement equipment.

As the market leader in all of its Caterpillar dealership territories, Hastings Deering is investing strongly in its future to build on the reputation of a reliable supplier with the best product support in the industry.

Philippines

Sime Darby Industries, Inc attained significant success in developing non-agriculture accounts that included port, mining and industrial customers for our new range of filtration supplies and Terberg terminal tractors. The main driver of growth for the year under review was the increase in government spending to support development of Philippine agriculture, and the Group's much improved ability to access and win tenders for tractors, small engines and other allied agro/industrial equipment.





*Facing Page:
Fleet of Caterpillar D5 Dozers
purchased by DPI Forestry from
Hastings Deering*

*Bottom Left:
The Kubota Tractor M9000DT is a
reliable heavy duty haulage
tractor*

*Top:
Tractors Malaysia's pool of
capable technicians regularly
undergo training on the latest
methods of machine repair and
maintenance to keep themselves
up-to-date with new technology*

*Bottom Right:
New Holland TS120 (attached to
a trailing harrow) hard at work at
a newly-opened sugar cane farm
in the Philippines*



MOTOR VEHICLES

The Motor Group recorded a growth in turnover and higher profits than the year before, despite various obstacles during the year.

The growth in the second half of the year, however, was dampened by challenges faced by the motor industry in general, including a global increase in fuel prices, rising interest rates and in certain countries, a softening in the domestic economy and an oversupply situation as production exceeded demand for vehicles.

Malaysia

The Malaysian motor industry benefitted from the announcement of the National Automotive Policy ("NAP") in March 2006. The NAP will revitalise the automotive industry in the longer term as it sets clear policies to promote local manufacturing/assembly activities. In line with the NAP, the Group is in discussions with principals to increase production of locally assembled vehicles to cater for both domestic and regional markets.

However, in the shorter term, the motor industry will continue to experience challenging times with rising interest rates and a slowdown in demand for motor vehicles, creating a glut of new and used vehicles.

The Group's strong commitment to quality and service was reflected in two awards won during the year. The Hyundai Group's Inokom Atos model received JD POWER Asia Pacific's prestigious "New Vehicle Initial Quality" Award in the compact segment for the second consecutive year, while Ford Malaysia won the JD POWER 2006 Malaysia Customer Satisfaction Index Award.

The past year was also one of significant change for Associated Motor Industries Malaysia Sdn Bhd ("AMI"), where the assembly plant was upgraded with new processes and

products with renewed focus on Lean Manufacturing, Lean Office and quality initiatives. AMI is the first auto plant in Malaysia to be ISO9001, ISO14001 and TS16949 certified.

The Hyundai Group, which expanded its current range of passenger car products (Inokom Atos Prima, Matrix, Tucson, Trajet and Getz) during the year to include four new imported models, namely NF 2.4, NF 2.0, Azera 3.3 and Coupe GK, also secured the rights to assemble/distribute Hyundai medium commercial vehicles and buses. The expansion and upgrading of production capacity at the Inokom plant is progressing well.

Auto Bavaria continued to dominate the sales of BMW and MINI vehicles in the country. During the year, Auto Bavaria embarked on a systematic upgrade of its nationwide network infrastructure. In April 2006, the first 4S (sales, service, spares and systems) centre was officially launched in Kuantan, while network upgrade of the other six facilities is in progress and expected to be completed by mid-2007.

Ford Malaysia's performance was affected by limited product offerings and resulted in lower sales volume in a competitive market. The product line-up was strengthened with the introduction of the German-engineered Focus 1.8 Litre and 2.0 Litre and the popular Ranger, Everest and Escape.

Sime Darby Auto Italia Sdn Bhd's ("SD Auto Italia") full-fledged 3S centre in Glenmarie, Shah Alam, which commenced operations in August 2005, was acknowledged as one of the best Alfa Romeo aftersales facilities in South East Asia by Fiat Auto S.p.A., the parent company of Alfa Romeo. SD Auto Italia concentrated its efforts on rebuilding the Alfa Romeo brand in Malaysia and on providing comprehensive and competitive aftersales support to existing and new Alfa Romeo owners.



Land Rover Malaysia Sdn Bhd launched its much awaited 2006 range, comprising three premium luxury sport utility vehicle models-the internationally acclaimed and multiple award-winning Discovery 3, the new Range Rover Sport, which is the fifth and latest model from the iconic British marque, and the updated flagship Range Rover.

Singapore

Performance Motors Limited ("PML") reported robust sales across the board with the 3 and 5 Series both exceeding the 1,000-unit mark. The 7 Series continued to maintain its leading position amongst the high end luxury marques. In recognition of its excellent performance, PML was awarded Best Sales Performance in the Asia Sales Region by the BMW Group for the first time.

Vantage Automotive Limited (formerly known as Regent Motors Limited), which moved to new facilities at 305 Alexandra Road, reported improved earnings over the previous year, with all the three marques represented (Ford, Land Rover and Peugeot) doing well.

Performance Premium Selection Limited, a 60%-owned joint-venture company, commenced operations in October 2005. With a used car centre supporting the new car sales operations in Singapore, the company registered an impressive maiden result.

China (including Hong Kong SAR and Macau SAR)

The past fiscal year saw China overtake Germany and Japan in terms of vehicle sales, making it the second largest vehicle market behind the US. With a population of 1.3 billion and a vehicle ownership rate of 0.8%, the growth opportunities are significant and contributed to another outstanding year for the Group's BMW distribution and retail businesses. At the same time, the Group developed additional dealerships on the

ground to pursue a strategy to position itself as a Tier 1 retailer of vehicles in China.

The economies of Hong Kong and Macau continued to prosper from their status as Special Administrative Regions under China. Sales of luxury brand vehicles benefitted from the increasing affluence of local consumers.

It was a memorable year for BMW Concessionaires as it was selected to sponsor and provide the transportation for both the World Trade Organisation Summit and the East Asian Games, held in Hong Kong and Macau respectively. The successful launch of additional niche models such as the 1 series and the Z4 Coupe strengthened an already outstanding product mix.

The multi-franchise Group, which represents mid-range brands and was reorganised effectively under a single unit, saw a healthy return to profit.

*Facing Page:
Auto Bavaria's first 4S (sales, service, spares and systems) centre in Malaysia, located in Kuantan, Pahang*

*Bottom Right:
The Mini's participation in Auto Guangzhou 2005 helped to foster goodwill for the dealership*

*Bottom Left:
Performance Premium Selection's showroom in Singapore*



Australia

The year under review was a challenging period which proved favourable for Sime Darby Automobiles Pty Ltd, the exclusive importer and distributor for Peugeot in Australia. While Yen exchange rates allowed Japanese marques to be advantageously priced, strong sales for the 307 and 206 models helped Peugeot maintain its volume in a very competitive market.

New Zealand

The slowing down of the domestic economy, a weakening New Zealand dollar, weaker export performance and sharp increases in fuel prices all affected the performance of the New Zealand Motor Group which saw overall earnings decline from last year, a trend reflected across the whole motor industry.

For the year under review, the European brands which represent a small percentage of the overall new car market were more resilient than the volume brands although margins came under pressure. The cooling economy affected activity in the transport sector as the weaker dollar and surging oil prices combined to further squeeze already tight margins. Despite these challenges, the Group preserved market share, with many of its marques continuing to be the major players in their respective segments. In the heavy trucking market, the Group has more than 30% market share.

Thailand

The past year was tumultuous for the motor industry which had to deal with the Thai economy on top of high oil prices and interest rates.

Despite a contraction of the automotive market, the Thailand Motor Group did well to achieve sales growth for the Mazda, Mitsubishi and BMW brands. During the year, two additional outlets were opened for Mazda, while Mitsubishi's second showroom at Sapansoong was completed and commenced operations in June 2006.

In January 2006, Sime Darby Mazda (Thailand) Limited ("SDMT") received the Top Achiever Award for Market Share in Bangkok for 2005. SDMT also achieved the Top Service Department CSI Score among all the Mazda dealers in Thailand for the fourth quarter of 2005. In the JD Power Survey for the year 2005, the Mazda brand was ranked second in Customer Satisfaction for all brands in Thailand. Mitsubishi's Paknam dealership received the Top 5 Sales Satisfaction Index Award for the segment of annual sales volume over 300 units.

Car Rental and Leasing

The car rental operations in Malaysia achieved higher profits for the year while the Singapore operations posted lower profits due to the lacklustre demand for car rental.

With a rental fleet in excess of 1,000 cars, South Perth Investments Pty Ltd, benefited from the boom in the mining sector. Demand for rental cars from the mining companies in Australia ran high in line with the world demand for minerals.

The equipment financing operations under SimeLease (Malaysia) Sdn Bhd and SimeCredit (Malaysia) Sdn Bhd achieved higher profits for the year despite the reduction in the average interest yields in the leasing and hire purchase industry.





*Facing Page:
Hyundai's Inokom Atos - winner
of JD POWER Asia Pacific's
prestigious "New Vehicle Initial
Quality" Award*

*Bottom:
The Porsche is one of many
European marques retailed
by Continental Car Services in
New Zealand*

*Top:
The Peugeot distributorship in
Australia maintained its volume
in a very competitive market*



ENERGY & UTILITIES

Oil & Gas

The current surge in oil price, along with high consumption from emerging developing countries especially China and India, provided a strong positive outlook for the global oil & gas industry.

During the year under review, Sime Darby Engineering Sdn Bhd ("SDE") was awarded the Engineering, Procurement, Construction, Installation and Commissioning contract for three Wellhead Platforms for Qatar Petroleum. This project, which will tap into the company's full in-house capabilities from engineering design and fabrication to commissioning, is worth approximately RM974 million, making it the single largest contract secured by SDE to-date.

During the year, several major projects were completed, including the Yoho Integrated Deck for ExxonMobil offshore Nigeria, the Guntong-E modules for ExxonMobil offshore Terengganu, the D1 platform deck and jacket for ONGC India offshore Mumbai, the Bunga Raya-E Integrated Deck for Talisman offshore Terengganu and the Baram jacket for Petronas Carigali offshore Sarawak.

Engineering

Work continued on the Bakun Hydroelectric Project. Sime Engineering Services Berhad has a 35.7% interest in the Malaysia-China Hydro Joint Venture, the principal contractor for the main civil works.

Power Generation

Port Dickson Power Berhad and Laem Chabang Power Co Ltd continued to maintain excellent plant availability with both power plants operating efficiently.

In Thailand, Sime LCP Power Co Ltd was incorporated to undertake the expansion project for another 50MW of generation capacity at the Laem Chabang industrial estate to meet the expected increase in energy demand.

Shipping

Jaya Holdings Limited ("Jaya Holdings"), in which Sime Darby Berhad has a 29.4% equity interest, reported significantly higher turnover and pre-tax profit over the previous financial year. The demand for Jaya Holdings' offshore support vessels for both chartering and outright purchase, continued to be strong, buoyed by increased exploration and production activities by oil & gas companies.

Utilities

During the year, the division ventured into two strategic businesses involving a port and a water project in the Shandong Province of the People's Republic of China.

Systems Integration, Trading and Services

Mecomb Malaysia and Mecomb Singapore, which are involved in systems integration and sales of a wide range of engineering products, as well as design and fabrication of industrial ventilation fans, filter presses and carpark management systems which are marketed under Mecomb's proprietary brand names, performed satisfactorily for the year under review.

During the year, Chubb Malaysia's sales of safes and vault doors were strong with increased demand from the export markets, especially the Middle East. Local sales, especially from dealerships and project sales, also improved.

SST Integrated Technologies Sdn Bhd's name change to Sime-SIRIM Technologies Sdn Bhd during the year helped to create better marketability. Performance for the year improved compared to the year before with better growth from sectors such as oil & gas, defence and telecommunications.





*Facing Page:
Overview of the Guntong-E
Topside modules fabricated for
ExxonMobil offshore Terengganu*

*Top Right:
JanaUrus staff carrying out
normal preventive maintenance
work at the Port Dickson Power
plant in Malaysia*

*Top Left:
Ready for deployment - a new
70m, 8000 Brake Horse Power
(BHP) AHTS built by Jaya Holdings*

*Bottom:
Some of the security equipment
available from Chubb Malaysia*



GENERAL TRADING, SERVICES & OTHERS

Aerospace

Asian Composites Manufacturing Sdn Bhd, an associated company involved in aircraft composites components manufacturing, reported increased profitability as a result of higher factory capacity utilisation.

Bedding

The bedding operation made significant inroads into the East and West Asian markets during the year, leveraging on its rights to the Dunlopillo brand in 45 territories. A joint venture operation was started in Indonesia with a local partner to distribute spring-based mattresses. A limited manufacturing facility was set up in the United Arab Emirates, thus opening up the West Asian market. The China operation continued to expand with the setting up of offices in Beijing and Hong Kong, while an office in Shanghai will be established in the new financial year. Distribution to the other North East Asian markets of Japan, Korea and Taiwan are in place. Overall, the bedding operation reported improved profitability for the year.

Consumer Products

In line with the Sime Darby Group's focus on core businesses, Sime Darby Marketing Sdn Bhd, Sime Oleander Sdn Bhd and Ceres Sime Confectionary Sdn Bhd were divested during the year.

Tesco Stores (Malaysia) Sdn Bhd, a joint venture with Tesco Plc in which the Group owns 30%, reported reduced losses for the year on the back of a higher number of stores opened. The company currently has 11 hypermarkets and 3 express stores around the country.

Healthcare

Subang Jaya Medical Centre Sdn Bhd ("SJMC") and its subsidiary, Megah Medical Specialists Group Sdn Bhd ("MMSG") continued to enjoy steady business performance and strong client loyalty with improved revenue and profitability. The successes and achievements of SJMC over its 20 years of operation are reflected in its growth from a 130-bed hospital in 1985 to its current 357-bed tertiary patient care centre with a one-stop Cancer & Radiosurgery Centre.

Industrial Products

Century Automotive Products Sdn Bhd reported improved profitability on the back of higher replacement sales. During the year, the Group entered into a share sale agreement with Ramcar Battery Sdn Bhd to dispose of the entire stake in the company. The disposal was completed on 24th July 2006.

Sime Inax Sdn Bhd was affected by the soft market in the construction sector and recorded lower profits for the year.

The business and assets of Sime Coatings Sdn Bhd were sold to Kansai Coatings Sdn Bhd (formerly known as Potion Impact Sdn Bhd) during the year.

Sime Kansai Paints Sdn Bhd, a joint venture with Kansai Paint Co. Ltd of Japan in which the Group owns 40%, reported higher profits for the year on the back of higher demand from the automotive car manufacturing sector and new accounts.

Insurance Broking

The Insurance Broking group posted lower profits for the year due to lower brokerage income.



Logistics

KN Sime Integrated Logistics Sdn Bhd, an associate involved in warehousing and logistics, reported reduced losses for the year.

Packaging

The packaging group continued to operate in an adverse operating environment characterised by severe competition, high paper prices and higher fuel costs.

Travel & Tourism

The Travel division proved to be resilient with a satisfactory performance for the year despite challenges dogging the industry. The increase in fuel surcharges due to the high prevailing oil prices had some impact on leisure travel.

Tyres

During the year, Sime Darby Berhad decreased its equity interest in Continental Sime Tyre Sdn Bhd from 49% to 30%, and ceased accounting for this investment as an associate with effect from 1st January 2006.

Facing Page:

The majority of specialists at SJMC and MMSG are also key opinion leaders in their respective fields

Bottom Left:

The Dunlopillo name made significant inroads in both East and West Asia

Bottom Right:

Advanced ultrasonic testing equipment used in the nondestructive evaluation of Advanced Composite Materials Manufacturing Sdn Bhd's factory in Bukit Kayu Hitam, Kedah, Malaysia





Launch of Tractors Malaysia Holdings Berhad's mini TMBs



Yoho Load-out at Pasir Gudang Yard



Another milestone for Sime UEP Properties Berhad



Signing of HMC - Inokom agreement

July 16

Sime UEP Properties Berhad achieved another milestone when it became the first property developer in Malaysia to successfully upgrade its Standard & Industrial Research Institute of Malaysia's (SIRIM) Environment Management System ISO 14001 certification, awarded in 2000, to the 2004 version.

August 2

Sime Darby Auto Italia Sdn Bhd ("SD Auto Italia") launched its first 3S (sales, service and spares) centre in Malaysia. Located on a one-acre site at Glenmarie, Shah Alam, the RM2.5 million 3S centre, which is also SD Auto Italia's headquarters, features two separate display areas, a comprehensive parts centre and a service centre.

August 11

A load-out ceremony was held at Sime Darby Engineering Sdn Bhd's ("SDE") Pasir Gudang yard to commemorate the completion of the RM387 million Yoho Project awarded to SDE by Saipem s.a. At 11,300 tons, the Yoho Topside is the biggest ever integrated deck to be fabricated in Malaysia.

August 16

Sime Darby Group Chief Executive Dato' Ahmad Zubir Murshid launched Tractors Malaysia Holdings Berhad's mini TMBs, a new concept and approach which replicates the business operations and service standards at its head office and promotes entrepreneurship, professionalism and quality within the entire branch network.

September 2

Asian Composites Manufacturing Sdn Bhd received accreditation to NADCAP (Aerospace and Defence Contractors Accreditation Programme) Composites Process by Performance Review Institute. NADCAP is the leading worldwide cooperative programme of major aerospace companies designed to manage a cost effective consensus approach to special process and products, and provide continuous improvement within the aerospace industry.

November 19

The Sime Darby Child Care Centre celebrated its 10th anniversary. Set up in 1995, the centre has received numerous appreciations and commendations, including the "Best Baby Friendly Work Place" Award presented by the Ministry of Women, Family and Community Development in August 2004.

December 9

Hyundai Motor Company ("HMC") President Mr Choi Jae Kook held discussions with Sime Darby Group Chief Executive Dato' Ahmad Zubir Murshid during a visit to Sime Darby's Group Head Office in conjunction with the signing ceremony of a Technical Licence Agreement between HMC and Inokom to manufacture a super-mini category vehicle codenamed "TB".

January 1

The Sime Darby Plantations Division's plantations activities and operations carried out by various subsidiaries were consolidated under a new company, Sime Plantations Sdn Bhd, to reduce the duplication of activities and to enhance synergies, improve ease of administration, enhance operational efficiencies and productivity and simplify management reporting.

January 5

Sime Darby Berhad, through its subsidiary, Sime Darby Auto Imports Sdn Bhd was appointed the official importer of BMW and MINI vehicles in Malaysia. The appointment, which continues a fruitful relationship between BMW and Sime Darby that goes back to the 1980s when Auto Bavaria Sdn Bhd was appointed as authorised importer and distributor of BMW products in Malaysia, also enhances the already strong partnership between Sime Darby and BMW.

February 9

At a Cocktail Reception held at the Hong Kong Football Club, Mr Lawrence Lee, Managing Director of Sime Darby Motor Group - China, presented Long Service Awards to 17 employees from the Group's various motor companies in China, Hong Kong and Macau.



Sime Darby Child Care Centre celebrates 10th anniversary

February 24

In line with plans to consolidate and streamline the heavy equipment and automotive businesses under the Sime Darby Group, Tractors Malaysia Holdings Berhad was de-listed, through the successful implementation of a Scheme of Arrangement, to become a wholly-owned subsidiary of Sime Darby.



Motor Group China's Long Service Award Reception In Hong Kong

April 13

Sime Darby Engineering Sdn Bhd secured a contract worth approximately RM974 million from Qatar Petroleum to provide engineering, procurement, construction, installation, offshore hook-up and commissioning and offshore modification of the existing platforms plus supply and laying of pipelines and umbilicals for the new and existing platforms.

April 19

Sime UEP Properties Berhad launched its "Unit Peronda Sime UEP", featuring three Sports Utility Vehicles, a 24-hour Central Monitoring Station and emergency telephone number, to provide additional security and peace of mind to its townships' residents.



Sime UEP launches 24-hour assistance for residents

April 30

Subang Jaya Medical Centre, with the support of Tourism Malaysia organised an International Medical/Health Seminar in Medan, Indonesia to share information on advances in medicine and therapeutic treatments in the specialised healthcare fields.

May 13

Sime Plantations Sdn Bhd's Kempas Estate received the "Ladang Bahagia" award from Malaysian Deputy Prime Minister Datuk Seri Najib Tun Razak in conjunction with National Labour Day 2006. The award recognises the estate's commitment towards promoting the well-being of its workers.



Sime Plantations wins "Ladang Bahagia" Award

May 19

In its effort to better serve its valued clients and potential homebuyers, Sime UEP Properties Berhad launched its second Sales Gallery located on the 5th Floor of Wisma UEP. The first Sales Gallery located in Bandar Bukit Raja was launched in July 2005 and features a fully-furnished one and a half-storey show unit attached to it.

May 31

At the first Yayasan Sime Darby Alumni Dinner, 15 past scholars who have been with the Group for 10 years or more were recognised for their dedication with certificates of appreciation presented by Group Chief Executive Dato' Ahmad Zubir Murshid. The dinner was also attended by senior management and scholars who have left the Group and moved to senior positions in other companies.